



Kum Risk Bala Nasheen

MCB

CASH MANAGEMENT OPTIMIZER

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 Baig	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 Bank Al-Falah Limited Allied Bank Limited National Bank of Pakistan Limited Habib Metropolitan Bank Limited Faysal Bank Limited Askari Bank Limited Habib Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 + Management Quality Rating assigned by PACRA	

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

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

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.83% as against its benchmark return of 6.74%, an out performance of 2.09%. The fund adjusted its WAM several times during the year to take advantage of varying interest rate scenarios.

In order to capitalize on changing interest rate scenario during the year, fund increased its exposure in T-Bills in the last quarter of FY15. The fund was around 80.7% invested in T-Bills, 18.9% in Cash and 0.3% in PIBs at the end of the period.

The Net Asset of the Fund as at June 30, 2015 stood at Rs.12.533 billion as compared to Rs 10.181 billion as at June 30, 2014 registering an increase of 23%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 100.1105 as compared to opening NAV of Rs. 100.0223 per unit as at June 30, 2014 registering an increase of Rs. 0.0882 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	8.696

FUTURE OUTLOOK

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

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

Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 19.3 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	Number of meetings		
		Attendance required	Attended	Leave granted
1 Dr. Syed Salman Shah	2	2	2	-
2 Mr. Nasim Beg	2	2	2	-
3 Mr. Ahmed Jahangir	2	2	2	-
4 Mr. Haroun Rashid	2	2	2	-
5 Mr. Yasir Qadri	2	2	2	-

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

External Auditors

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

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 Cash Management Optimizer (CMOP) is an open end fund money market fund, and has the leverage to invest in short term government securities, repurchase agreements, term deposit and money market placements with scheduled banks with a maximum maturity of 180 days and weighted average maturity up to 90 days.

Fund Benchmark

The benchmark for CMOP is an average of 3 Month deposit rates of AA and above rated scheduled banks.

Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in highly liquid debt securities issued by the Government of Pakistan as well as TDR to AA or above rated banks.

Manager's Review

During the year, the fund generated an annualized return of 8.83% as against its benchmark return of 6.74%, an out performance of 2.09%. The fund adjusted its WAM several times during the year to take advantage of varying interest rate scenarios.

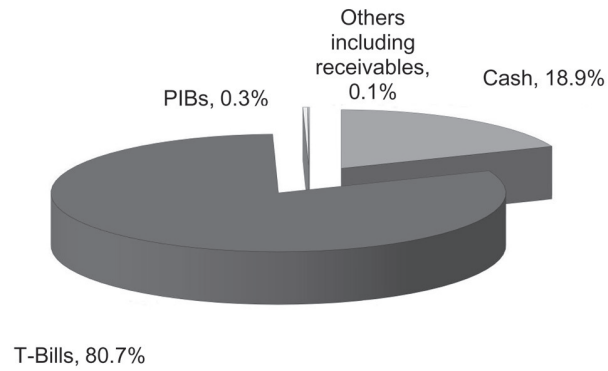
In order to capitalize on changing interest rate scenario during the year, fund increased its exposure in T-Bills in the last quarter of FY15. The fund was around 80.7% invested in T-Bills, 18.9% in Cash and 0.3% in PIBs at the end of the period.

The Net Asset of the Fund as at June 30, 2015 stood at Rs.12.533 billion as compared to Rs 10.181 billion as at June 30, 2014 registering an increase of 23%.

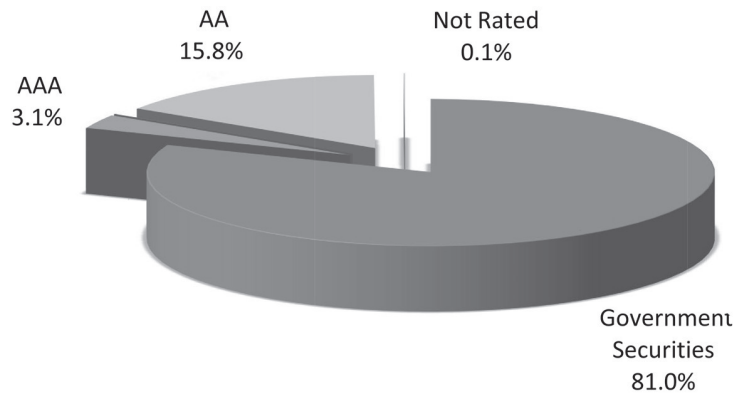
The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 100.1105 as compared to opening NAV of Rs. 100.0223 per unit as at June 30, 2014 registering an increase of Rs. 0.0882 per unit.

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

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



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



Mr. Saad Ahmed
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 Shahra-e-Faisal
Karachi - 74400. Pakistan.
Tel: (92-21) 111-111-500
Fax: (92-21) 34326020 - 23
URL: www.cdcPakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB CASH MANAGEMENT OPTIMIZER

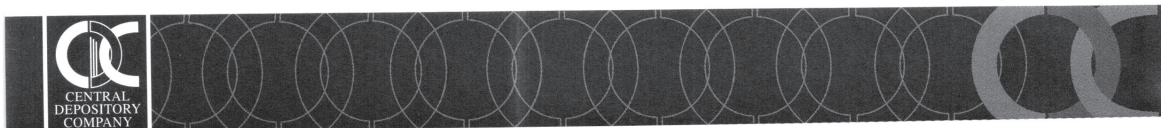
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Cash Management Optimizer (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 Manif 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 Cash Management Optimizer ("the fund") to comply with the Code of Corporate Governance contained in Regulation no.35 of listing regulation of Lahore Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

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

On behalf of the Board



Yasir Qadri
Chief Executive Officer

Karachi: August 07, 2015

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



KPMG Taseer Hadi & Co.
Chartered Accountants
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Review report to the Unit holders of MCB Cash Management Optimizer Fund (“the Fund”) on the Statement of Compliance with the Code of Corporate Governance

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

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

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

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

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

Date: 07 August 2015

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

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

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



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

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Unit Holders

Report on the Financial Statements

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

Management Company's responsibility for the financial statements

Management Company of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the approved accounting standards as applicable in Pakistan and for such internal control as Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

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

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



KPMG Taseer Hadi & Co.

Report on other legal and regulatory requirements

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

Date: 07 August 2015

Karachi

KPMG Taseer Hadi & Co.

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

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

	<i>Note</i>	30 June 2015	30 June 2014
(Rupees in '000)			
Assets			
Balance with banks	4	2,398,028	1,169,508
Investments	5	10,302,405	5,507,943
Term deposit receipts		-	3,500,000
Prepayments and profit receivable	6	10,000	152,503
Preliminary expenses	7	-	246
Total assets		12,710,433	10,330,200
Liabilities			
Payable to Management Company	8	5,086	11,719
Payable to Central Depository Company of Pakistan Limited - Trustee	9	570	796
Payable to Securities and Exchange Commission of Pakistan	10	8,282	10,032
Accrued and other liabilities	11	163,848	126,925
Total liabilities		177,786	149,472
Net assets		12,532,647	10,180,728
Unit holders' fund		12,532,647	10,180,728
Contingencies and commitments	12		
(Number of units)			
Number of units in issue (face value of units is Rs. 100 each)		125,188,076	101,784,629
(Rupees)			
Net asset value per unit	3.8	100.11	100.02

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

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



Chief Executive Officer



Director

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

	<i>Note</i>	30 June 2015	30 June 2014
(Rupees in '000)			
Income			
Capital gain on sale of investments - net		30,493	8,005
Income from government securities		753,179	1,042,822
Income from reverse repurchase transactions in government securities		-	168
Profit on money market placement		227,475	104,944
Profit on bank deposits		59,822	133,172
		1,070,969	1,289,111
Net unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss'	5.1	(1,526)	(4,986)
Total income		1,069,443	1,284,125
Expenses			
Remuneration of Management Company	8.1	105,573	129,341
Sindh Sales tax and Federal Excise Duty on Management fee	8.2 & 11.1	35,261	44,700
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	8,833	10,182
Annual fee of Securities and Exchange Commission of Pakistan	10	8,282	10,032
Amortisation of preliminary expenses	7	246	1,000
Legal and professional		100	-
Brokerage expenses		2,596	1,244
Auditor's remuneration	13	954	924
Other expenses		1,038	679
Total operating expenses		162,883	198,102
Net operating income for the year		906,560	1,086,023
Net element of loss and capital losses included in prices of units issued less those in units redeemed		(773,206)	(5,008)
Provision for workers' welfare fund	11.2	(2,667)	(21,620)
Net income for the year before taxation		130,687	1,059,395
Taxation	14	-	-
Net income for the year after taxation		130,687	1,059,395
Earnings per unit	15		

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

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



Chief Executive Officer



Director

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

	30 June 2015	30 June 2014
	(Rupees in '000)	
Net income for the year after taxation	130,687	1,059,395
Other comprehensive income:		
<i>Items that are or may be reclassified subsequently to income statement</i>		
Unrealised appreciation / (diminution) in investments classified as available-for-sale - net	390	(390)
Total comprehensive income for the year	<u>131,077</u>	<u>1,059,005</u>

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

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



Chief Executive Officer



Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	30 June 2015	30 June 2014
	(Rupees in '000)	
Undistributed income brought forward		
- Realised income	7,583	113,555
- Unrealised (losses)/ income	<u>(5,376)</u>	<u>6,407</u>
	2,207	119,962
Total comprehensive income for the year	131,077	1,059,005
Net Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	1,076	85
Distributions to the unit holders of the Fund:		
Final Distribution at the rate of Rs. 1.0952 per unit declared on 4 July 2013		
- Bonus distribution	-	(119,920)
- Cash distribution	-	(55)
Interim distribution at the rate of Rs. nil (2014: Rs. 0.5240) per unit declared on 26 July 2013		
- Bonus distribution	-	(63,636)
- Cash distribution	-	(26)
Interim distribution at the rate of Rs. nil (2014: Rs. 0.6020) per unit declared on 27 August 2013		
- Bonus distribution	-	(72,136)
- Cash distribution	-	(30)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.6332) per unit declared on 26 September 2013		
- Bonus distribution	-	(76,696)
- Cash distribution	-	(32)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.7058) per unit declared on 29 October 2013		
- Bonus distribution	-	(85,444)
- Cash distribution	-	(35)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.6127) per unit declared on 28 November 2013		
- Bonus distribution	-	(89,170)
- Cash distribution	-	(30)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.6487) per unit declared on 27 December 2013		
- Bonus distribution	-	(96,324)
- Cash distribution	-	(32)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.7154) per unit declared on 28 January 2014		
- Bonus distribution	-	(97,967)
- Cash distribution	-	(36)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.6940) per unit declared on 27 February 2014		
- Bonus distribution	-	(104,267)
- Cash distribution	-	(34)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.6334) per unit declared on 27 March 2014		
- Bonus distribution	-	(90,635)
- Cash distribution	-	(32)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.7322) per unit declared on 29 April 2014		
- Bonus distribution	-	(106,257)
- Cash distribution	-	(36)
Interim Distribution at the rate of Rs. nil (2014 : Rs. 0.6578) per unit declared on 28 May 2014		
- Bonus distribution	-	(98,571)
- Cash distribution	-	(33)
Final Distribution at the rate of Rs. 8.696 (2014: Rs. 0.7507) per unit declared on 22 June 2015		
- Bonus distribution	-	(75,374)
- Cash distribution	(120,576)	(37)
	(120,576)	(1,176,845)
Undistributed income carried forward	13,784	2,207
Undistributed income carried forward		
- Realised income	14,920	7,583
- Unrealised losses	(1,136)	(5,376)
	13,784	2,207

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

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



Chief Executive Officer



Director

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

	30 June 2015	30 June 2014
	(Rupees in '000)	
Net assets at the beginning of the year	10,180,728	11,074,530
Issue of 357,964,141 units (2014: 201,402,252 units)	36,804,716	20,210,703
Issue of NIL bonus units (2014: 11,763,969 bonus units)	-	1,176,397
Redemption of 334,560,694 units (2014: 220,927,198 units)	(35,236,504)	(22,168,070)
	1,568,212	(780,970)
Net element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed:		
- amount representing loss and capital losses - transferred to income statement	773,206	5,008
- amount representing income and capital gains that forms part of unit holder's fund - transferred to distribution statement	(1,076)	(85)
	772,130	4,923
Net element of income and capital gains included in prices of units issued less those in units redeemed - transferred to distribution statement	1,076	85
Net income for the year (excluding net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	101,720	1,056,376
Capital gain on sale of investments - net	30,493	8,005
Net unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(1,526)	(4,986)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at available-for-sale'	390	(390)
Total comprehensive income for the year	131,077	1,059,005
Distributions during the year	(120,576)	(1,176,845)
Net assets at end of the year	<u>12,532,647</u>	<u>10,180,728</u>
	(Rupees)	
Net asset value per unit at the beginning of the year	<u>100.02</u>	<u>101.10</u>
Net asset value per unit at the end of the year	<u>100.11</u>	<u>100.02</u>

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

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



Chief Executive Officer



Director

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

	30 June 2015	30 June 2014
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	130,687	1,059,395
Adjustments for non cash and other items:		
Capital gain on sale of investments - net	(30,493)	(8,005)
Income from government securities	(753,179)	(1,042,822)
Net unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss'	1,526	4,986
Amortisation of preliminary expenses	246	1,000
Net element of loss and capital losses included in prices of units issued less those in units redeemed	773,206	5,008
	<u>(8,694)</u>	<u>(1,039,833)</u>
	121,993	19,562
Decrease / (increase) in assets		
Investments	(511,926)	1,051,992
Prepayments and profit receivable	142,503	(146,001)
	<u>(369,423)</u>	<u>905,991</u>
Increase / (decrease) in liabilities		
Payable to Management Company	(6,633)	758
Payable to Central Depository Company of Pakistan Limited - Trustee	(226)	25
Payable to Securities and Exchange Commission of Pakistan	(1,750)	2,262
Accrued and other liabilities	36,923	46,086
	<u>28,314</u>	<u>49,131</u>
Net cash flow (used in) / generated from operating activities	<u>(219,116)</u>	<u>974,684</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments received against issuance of units	36,804,716	20,210,703
Payments against redemption of units	(35,236,504)	(22,168,070)
Cash distribution	(120,576)	(448)
Net cash generated from / (used in) financing activities	<u>1,447,636</u>	<u>(1,957,815)</u>
Net increase / (decrease) in cash and cash equivalents	<u>1,228,520</u>	<u>(983,131)</u>
Cash and cash equivalents at beginning of the year	<u>1,169,508</u>	<u>2,152,639</u>
Cash and cash equivalents as at end of the year	<u><u>2,398,028</u></u>	<u><u>1,169,508</u></u>

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

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



Chief Executive Officer



Director

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

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 30 July 2009. It was constituted under a Trust Deed dated 10 July 2009 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984, and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Board of Directors have approved that the Fund should be categorised as "Money Market Scheme" as per the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated 6 March 2009.

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issue by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

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

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2+ (AM two plus) dated April 7 2015 to the Management Company and has assigned stability rating of "AA (f)" (Double A ; fund rating) dated March 19 2015 to the Fund.

Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Critical accounting estimates and judgments

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

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

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are as follows:

Investments stated at fair value and derivative financial instruments

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

Other assets

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

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

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

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

Financial instruments as 'at fair value through profit or loss' are measured at fair value and changes therein are recognised in the Income Statement.

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

b) *Loans and receivables*

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

c) *Available for sale*

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

d) *Financial liabilities*

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

Recognition

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

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

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

Measurement

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

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

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

Basis of valuation of government securities and GoP Ijara sukuk certificates

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

The fair value of the investments in GoP Ijara sukuk certificates is determined by using the market rates from Reuters page.

Impairment

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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

Derecognition

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

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

Offsetting of financial 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 recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.2 Derivatives

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

3.3 Securities under repurchase / resale agreements

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

3.4 Preliminary expenses

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from 30 September 2009 as per the requirement of the Trust Deed of the Fund.

3.5 Unit holders' Fund

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

3.6 Issue and redemption of units

Units shall be issued based on the offer price that is fixed on the basis of the NAV so determined on the business day preceding the day on which a duly completed investment application form is received along with the funds in favour of the trustee at the registered office, authorised branches or distributors before the cut-off time.

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

The units shall be redeemed based on the redemption price that is fixed on the basis of the NAV announced as of the close of the business day preceding the day on which a correctly filled application for redemption is received.

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

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to income / (losses) held in the Unit Holder's 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 (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.8 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 issue at the year.

3.9 Provisions

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

3.10 Taxation

Current

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

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

Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

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

3.11 Revenue recognition

- Income on government securities and bank deposits (including term deposit receipts) is recognised on an accrual basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.
- Gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

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

- Discount on purchase of market treasury bills is amortised to income statement using the straight line method
- Income on reverse repurchase transactions and debt securities is recognised on a time proportion basis using effective interest rate method.

3.12 Expenses

All expenses including management fee, trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the income statement on an accrual basis.

3.13 Cash and cash equivalents

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

3.14 Other assets

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

3.15 Dividend distributions and appropriations

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

4. BALANCE WITH BANKS

		30 June 2015	30 June 2014
(Rupees in '000)			
Saving accounts	4.1	2,390,467	1,169,492
Current accounts		<u>7,561</u>	<u>16</u>
		<u><u>2,398,028</u></u>	<u><u>1,169,508</u></u>

- 4.1** These carry mark-up at rates ranging between 4.5% to 10.35% per annum (2014: 6.5% to 10.35% per annum).

5. INVESTMENTS

5.1 'Investments at fair value through profit or loss'

Market Treasury Bills	5.1.1	10,260,063	2,303,133
Pakistan Investment Bonds	5.1.2	<u>42,342</u>	<u>2,804,209</u>
		<u>10,302,405</u>	<u>5,107,342</u>

5.2 'Investments classified as available-for-sale'

Pakistan Investment Bonds	5.2.1	-	400,601
		<u>10,302,405</u>	<u>5,507,943</u>

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

5.1 'Investments at fair value through profit or loss'	Face value			Balance as at 30 June 2015		Market value		
	As at 1 July 2014	Purchases during the year	Sales / matured during the year	As at 30 June 2015	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
5.1.1 Market Treasury Bills	----- (Rupees in '000) -----							
Treasury bills - 3 months	47,000	30,479,830	27,559,330	2,987,500	2,949,548	2,948,972	23.53%	28.63%
Treasury bills - 6 months	2,315,200	43,111,075	38,033,100	7,393,175	7,311,091	7,311,091	58.34%	70.96%
Treasury bills - 12 months	-	7,597,900	7,597,900	-	-	-	-	-
Total as at 30 June 2015					10,261,280	10,260,063	81.87%	99.59%
Total as at 30 June 2014					2,303,619	2,303,133	22.62%	41.82%
5.1.1.1 These treasury bills cost Rs. 10,206,704 million (2014: Rs. 2,276,246 million). These will mature latest by 29 October 2015 (2014: 16 October 2014) and carry effective yield ranging between 9.80% to 9.97% (2014: 9.80 to 9.97%) per annum.								
5.1.2 Pakistan Investment Bond (PIB)								
PIB - 3 years	2,800,000	689,100	3,475,000	14,100	14,224	14,132	0.11%	0.14%
PIB - 7 years	-	28,000	-	28,000	28,427	28,210	0.23%	0.27%
Total as at 30 June 2015					42,651	42,342	0.34%	0.41%
Total as at 30 June 2014					2,808,709	2,804,209	27.54%	50.91%
5.1.2.1 These PIBs cost Rs. 42,651 million (2014: Rs. 2,808,709 million). These will mature latest by 30 August 2015 (2014: 18 August 2014) and carry interest at the rate of 11.25% (2014: 11.25% per annum) per annum.								
5.2 'Investments classified as available-for-sale'								
5.2.1 Pakistan Investment Bond								
PIB - 3 years	400,000	-	(400,000)	-	-	-	-	-
Total as at 30 June 2015								
Total as at 30 June 2014					400,991	400,601	3.93%	7.27%

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6.	PREPAYMENTS AND PROFITS RECEIVABLE	30 June 2015	30 June 2014
		(Rupees in '000)	
	Prepayments	129	101
	Profit receivable on saving deposits	8,063	9,799
	Profit receivable on term deposit receipts	-	11,425
	Profit receivable on Pakistan investment bonds	1,808	131,178
		<u>10,000</u>	<u>152,503</u>

7. PRELIMINARY EXPENSES

	Opening balance	246	1,246
	Less: amortisation during the year	<u>(246)</u>	<u>(1,000)</u>
	Closing balance	<u>-</u>	<u>246</u>

7.1 Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. This expenditure is fully amortised over a period of five years commencing from 30 September 2009 as per the requirement set out in the Trust Deed of the Fund.

8. PAYABLE TO MANAGEMENT COMPANY

	Management fee payable	8.1	4,336	10,102
	Sindh sales tax on management fee	8.2	650	1,617
	Legal and professional charges payable		100	-
			<u>5,086</u>	<u>11,719</u>

8.1 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. During the year, the Management Company has charged its remuneration at a rate of ten percent on the daily gross earnings of the Fund with a cap of 2 percent (3 percent till 30 September 2014) per annum and a floor of 0.25 percent per annum of average daily net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

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

9. PAYABLE TO THE TRUSTEE

The Trustee (Central Depository Company of Pakistan Limited) 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. The tariff structure applicable to the Fund as at 30 June 2015 in respect of trustee fee is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Upto Rs. 1 billion	0.15% per annum of NAV
From Rs. 1 billion to Rs. 10 billion	Rs. 1.5 million plus 0.075% per annum of NAV , exceeding Rs. 1 billion
On an amount exceeding Rs. 10 billion	Rs. 8.25 million plus 0.06% per annum of NAV, exceeding Rs. 10 billion

The remuneration is paid to the Trustee on monthly basis in arrears.

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10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as money market scheme is required to pay as annual fee to SECP, at an amount equal to 0.075 % of the average annual net assets of the Fund.

11. ACCRUED AND OTHER LIABILITIES

		30 June 2015	30 June 2014
(Rupees in '000)			
Provision for Federal Excise Duty and related taxes	11.1	44,560	25,135
Provision for Workers' Welfare Fund	11.2	102,911	100,244
Withholding tax payable (deducted on dividend distribution)	11.3	13,392	-
Withholding tax payable (deducted on capital gains)	11.3	1,871	351
Auditors' remuneration		577	572
Brokerage payable		417	491
Others		120	132
		163,848	126,925

11.1 The Finance Act, 2013 introduced an amendment to Federal Excise Act, 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this financial information aggregating to Rs. 44.560 million as at 30 June 2015. In case, the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED and related taxes were not recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.36 per unit as at 30 June 2015.

11.2 The Finance Act, 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

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

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

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

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

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11.3 Subsequently paid by the Fund to the taxation authorities.

12. CONTINGENCIES AND COMMITMENTS

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

13. AUDITOR'S REMUNERATION

	30 June 2015	30 June 2014
	(Rupees in '000)	
Annual audit fee	468	468
Half yearly review fee	260	260
Other certification and services	104	104
Out of pocket expenses	122	92
	954	924

14. TAXATION

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

15. EARNINGS PER UNIT

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

16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

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

	30 June 2015	30 June 2014
	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited		
Remuneration of the Management Company (including indirect taxes)	140,834	174,041
Sindh sales tax registration charges	8	-
	140,842	174,041
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee	8,833	10,182
	8,833	10,182
MCB Bank Limited		
Profit on bank deposits	16,339	6,333
Bank Charges	100	48
	16,439	6,381

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Arif Habib Limited-Brokerage House

Brokerage expense *

125 -

Next Capital Limited-Brokerage House

Brokerage expense *

393 -

16.2 Balance outstanding as at the year end are as follows:

MCB-Arif Habib Savings and Investments Limited

Management fee payable

4,336 10,102

Sindh sales tax payable on management fee

650 1,617

Legal and professional charges payable

100 -

Central Depository Company of Pakistan Limited - Trustee

Remuneration payable

570 796

MCB Bank Limited

Bank deposits

389,275 100,933

Profit receivable

3,606 678

Arif Habib Limited-Brokerage House

Brokerage payable *

73 -

Next Capital Limited-Brokerage House

Brokerage payable *

31 -

* The amount disclosed the amount of brokerage paid to the connected persons and not the purchase and sale value of securities transacted through them. The purchase and sale value can not be treated as transaction with connected persons as the ultimate counter parties are not connected persons.

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

	30 June 2015		30 June 2014	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Units sold to:				
MCB-Arif Habib Savings and Investments Limited	3,056,260	315,988	49,887	5,000
Adamjee Insurance Company Limited - Investment Department	19,131,871	1,913,505	11,471,500	1,150,000
Adamjee Insurance Company Limited	8,655,218	865,665	-	-
Staff Provident Fund of Adamjee Insurance Company Limited	-	-	849,019	85,000
Adamjee Life Assurance Company Limited - NUIL Fund	1,835,369	183,614	403,894	40,500
Adamjee Life Assurance Company Limited - IMF Fund	-	-	1,808,066	181,500
Adamjee Life Assurance Company Limited - ISF Fund	2,455,609	245,664	676,883	67,900
Adamjee Life Assurance Company Limited - ISF-II Fund	1,013,502	101,367	641,871	64,400
D.G.Khan Cement Company Limited	74,847,408	7,648,284	-	-
Key management personnel	14,941	1,526	118,352	11,878
Mandate Under Discretionary Portfolio Services	1,063,667	109,857	1,161,262	116,607

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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	30 June 2015		30 June 2014	
	Units	(Rupees in '000)	Units	(Rupees in '000)
Bonus units issued to:				
MCB-Arif Habib Savings and Investments Limited	-	-	1,035	103
Staff Provident Fund of Management Company	-	-	13	1
Adamjee Insurance Company Limited - Investment Department	-	-	1,322,095	132,209
Adamjee Life Assurance Company Limited	-	-	14,629	1,463
Adamjee Life Assurance Company Limited - NUIL Fund	-	-	6,801	680
Adamjee Life Assurance Company Limited - IMF Fund	-	-	26,645	2,665
Adamjee Life Assurance Company Limited - ISF Fund	-	-	8,495	850
Adamjee Life Assurance Company Limited - ISF-II Fund	-	-	4,383	438
Key management personnel	-	-	2,186	219
Mandate Under Discretionary Portfolio Services	-	-	30,133	3,013,320
Units redeemed by:				
MCB-Arif Habib Savings and Investments Limited	2,676,380	278,504	50,921	5,093
Staff Provident Fund of Management Company	-	-	839	84
Adamjee Insurance Company Limited - Investment Department	12,611,502	1,340,550	17,218,554	1,728,732
Staff Provident Fund of Adamjee Insurance Company Limited	-	-	849,019	85,300
Adamjee Life Assurance Company Limited	-	-	284,900	28,660
Adamjee Life Assurance Company Limited - NUIL Fund	1,835,369	183,699	431,491	43,344
Adamjee Life Assurance Company Limited - IMF Fund	12,586	679	1,869,619	187,733
Adamjee Life Assurance Company Limited - ISF Fund	2,455,609	245,778	724,628	72,784
Adamjee Life Assurance Company Limited - ISF-II Fund	1,013,502	101,440	656,239	65,864
D.G.Khan Cement Company Limited	59,790,271	6,217,452	-	-
Key management personnel	21,161	2,196	111,605	11,200
Mandate Under Discretionary Portfolio Services	1,029,533	107,812	1,317,043	132,138
	Units		(Rupees in '000)	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
Units held by:				
MCB-Arif Habib Savings and Investments Limited	379,880	-	38,030	-
Staff Provident Fund of Management Company	-	-	-	-
Adamjee Insurance Company Limited - Investment Department	19,131,871	12,611,502	1,915,301	1,261,431
Adamjee Insurance Company Limited	8,655,218	-	866,478	-
Adamjee Life Assurance Company Limited	-	-	-	-
Adamjee Life Assurance Company Limited - NUIL Fund	-	-	-	-
Adamjee Life Assurance Company Limited - IMF Fund	-	-	-	-
Adamjee Life Assurance Company Limited - ISF Fund	-	-	-	-
Adamjee Life Assurance Company Limited - ISF-II Fund	-	-	-	-
D.G.Khan Cement Company Limited	15,057,137	-	1,507,378	-
Key management personnel	4,399	12,473	440	1,248
Mandate Under Discretionary Portfolio Services	323,738	243,220	32,410	24,327

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

17. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risks is the creation and protection of participants' value. Risk is inherent in the Fund's activities, but it is managed through a process of ongoing identification, measurement and monitoring, subject to risk limits and other controls. The process of risk management is critical to the Fund's continuing profitability. Monitoring and controlling risks is primarily set up to be performed based on limits established by the internal controls set on different activities of the fund by the Board of Directors through specific directives and constitutive documents. These controls and limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. In addition, the Fund monitors and measures the overall risk bearing capacity in relation to the aggregate risk exposure across all risks type and activities. The Fund primarily invests in Government Securities, such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Market risk
- Credit risk
- Liquidity risk

17.1 Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will effect the Fund's income or the fair value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risks

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 Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan. The maximum risk resulting from financial instruments equals their fair values.

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

Currency risk

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds interest rate exposure arises on investment in Ijara sukuk certificates and bank balances. The Fund holds profit and loss sharing bank accounts that expose the Fund to cash flow interest rate risk. Other risk management procedures are the same as those mentioned in the credit risk management.

As at 30 June, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	30 June 2015	30 June 2014
	(Rupees in '000)	
Fixed rate instruments		
Treasury bills	10,260,063	2,303,133
Pakistan Investment Bonds	42,342	3,204,810
Term deposit receipts	-	3,500,000
	10,302,405	9,007,943

(a) Sensitivity analysis for variable rate instruments

As at 30 June 2015, the Fund does not hold any variable rate instruments and is not exposed to cash flow interest rate risk.

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

(b) Sensitivity analysis for fixed rate instruments

As at 30 June 2015, the Fund holds Market Treasury Bills which are classified as fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be lower by Rs. 4.335 million (2014: Rs. 5.772 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be higher by Rs. 4.335 million (2014: Rs. 5.773 million).

As at 30 June 2015, the Fund also holds Pakistan Investment Bonds which are classified as fair value through profit or loss and available for sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be lower by Rs. 0.83 million (2014: Rs. 5.229 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2015, the net income for the year and net assets would be higher by Rs. 0.29 million (2014: Rs.3.552 million).

As at 30 June 2015, the Fund also holds Term deposit receipts which are classified as 'loans and receivables'. Since 'loans and receivables' are carried at amortised cost, any increase or decrease in market interest rates will not affect the net income for the year nor the net assets of the Fund as at 30 June 2015.

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

Price risk

Price risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Currently, the Fund does not hold any security which exposes the Fund to price risk.

17.2 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances and income receivable on bank deposits.

Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk at 30 June was as follows:

	30 June 2015		30 June 2014	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)		(Rupees in '000)	
Balance with banks	2,398,028	2,398,028	1,169,508	1,169,508
Term deposit receipts	-	-	3,500,000	3,500,000
Investments	10,302,405	-	5,507,943	-
Prepayments and profit receivable	10,000	8,063	152,503	21,224
Preliminary expenses	-	-	246	-
	12,710,433	2,406,091	10,330,200	4,690,732

Difference in the balance as per statement of assets and liabilities and maximum exposure in investment is due to the fact that investment in government securities of Rs. 10,302.405 million (2014: Rs. 5,507.942 million), prepayments of Rs. 0.129 million (2014: Rs. 0.101 million) preliminary expenses of Rs. nil (2014: Rs. 0.246 million) and profit receivable on government securities of Rs. 1.808 million (2014: Rs. 131.279 million) are not exposed to credit risk.

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

None of the above financial assets were considered to be past due or impaired as on 30 June 2015.

Credit ratings and Collaterals

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

Ratings	30 June 2015	30 June 2014
	(Percentage holding)	
AAA	16.24%	8.72%
AA+	0.10%	0.67%
AA	83.66%	90.61%
Total	100.00%	100.00%

Concentration of credit risk

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

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

	30 June 2015		30 June 2014	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Commercial banks	2,398,028	99.66%	4,669,508	99.55%
Others	8,063	0.34%	21,224	0.45%
	2,406,091	100.00%	4,690,732	100.00%

Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed on sale.

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

17.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of the unit holders. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that the Fund will 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 actual 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. However, during the current year, no borrowing was obtained by the Fund. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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

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

The liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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

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

	30 June 2015			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable to Management Company	5,086	-	-	5,086
Payable to Central Depository Company of Pakistan Limited - Trustee	570	-	-	570
Accrued and other liabilities	1,114	-	-	1,114
	6,770	-	-	6,770
	30 June 2014			Total
	Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----				
Payable to Management Company	11,738	-	-	11,738
Payable to Central Depository Company of Pakistan Limited - Trustee	796	-	-	796
Accrued and other liabilities	1,546	-	-	1,546
	14,080	-	-	14,080

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

17.4 Financial instruments by category

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

	30 June 2015			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available for sale	
----- (Rupees in '000) -----				
Assets				
Balance with banks	2,398,028	-	-	2,398,028
Investments	-	10,302,405	-	10,302,405
Profit receivable	9,871	-	-	9,871
	2,407,899	10,302,405	-	12,710,304

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	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to Management Company	-	5,086	5,086
Payable to Central Depository Company of Pakistan Limited- Trustee	-	570	570
Accrued expenses and other liabilities	-	1,114	1,114
	<u>-</u>	<u>6,770</u>	<u>6,770</u>

	30 June 2014			
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available for sale	Total
	----- (Rupees in '000) -----			
Assets				
Balance with banks	1,169,508	-	-	1,169,508
Investments	-	5,107,342	400,601	5,507,943
Term deposit receipts	3,500,000	-	-	3,500,000
Profit receivable	152,402	-	-	152,402
Preliminary expenses	246	-	-	246
	<u>4,822,156</u>	<u>5,107,342</u>	<u>400,601</u>	<u>10,330,099</u>

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to Management Company	-	11,719	11,719
Payable to Central Depository Company of Pakistan Limited- Trustee	-	796	796
Accrued expenses and other liabilities	-	1,546	1,546
	<u>-</u>	<u>14,061</u>	<u>14,061</u>

17.5 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

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

	Level 1	Level 2	Level 3
	30 June 2015		
	----- (Rupees in '000) -----		
'At fair value through profit or loss'			
- Fixed income securities	-	10,302,405	-
		<u>30 June 2014</u>	
'At fair value through profit or loss'			
- Fixed income securities	-	5,107,342	-
'Available-for-sale'			
- Fixed income securities	-	400,601	-

19. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

19.1 Pattern of unit holding

Details of pattern of unit holding as at 30 June:

	30 June 2015		
	Number of	Investment (Rupees in '000)	Percentage
Individuals	477	1,157,662	9.24%
Associated companies / Directors	3	2,819,795	22.50%
Insurance companies	7	892,243	7.12%
Banks / DFIs	2	134,228	1.07%
Retirement funds	34	569,975	4.55%
Public limited companies	39	6,872,799	54.84%
Others	9	85,945	0.68%
	571	12,532,647	100.00%
	30 June 2014		
	Number of	Investment (Rupees in '000)	Percentage
Individuals	607	1,263,408	12.41%
Associated companies / Directors	1	1,261,431	12.39%
Insurance companies	9	492,442	4.84%
Banks / DFIs	4	1,323,645	13.00%
NBFCs	2	104,685	1.03%
Retirement funds	27	231,547	2.27%
Public limited companies	5	1,578,652	15.51%
Others	70	3,924,918	38.55%
	725	10,180,728	100.00%

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

19.2 Top ten brokers / dealers by percentage of commission paid

	30 June 2015
Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:	
1 Next Capital Limited	15.14%
2 Invest Capital Markets Limited	15.08%
3 Js Global Capital Limited	9.32%
4 C and M Management Private Limited	8.61%
5 Vector Capital Private Limited	8.26%
6 Invest One Markets Private Limited	6.76%
7 Magenta Capital Limited	6.12%
8 Invest and Finance Securities Limited	5.50%
9 Arif Habib Limited	4.81%
10 BMA Capital Management Limited	4.35%
	30 June 2014
1 Optimus Markets (Pvt) Ltd	17.73%
2 BMA Capital Management Ltd	13.54%
3 Invest & Finance Securities Ltd	13.05%
4 JS Global Capital Ltd	12.97%
5 Invest One Markets (Pvt) Ltd	12.40%
6 Invest Capital Markets Ltd	8.64%
7 C&M Management (Pvt) Ltd	4.96%
8 KASB Securities Ltd	4.35%
9 Icon Securities (Pvt) Ltd	2.54%
10 Summit Capital (Pvt) Ltd	2.26%

19.3 Attendance at meetings of the Board of Directors

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

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

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Mian Mohammad Mansha	6	1	5	112th, 113th, 114th, 115th and 117th
Mr. Nasim Baig	6	6	-	
Mr. Yasir Qadri (Chief Executive Officer)	6	6	-	
Dr. Syed Salman Ali Shah	6	4	2	115th and 116th
Mr. Haroun Rashid	6	3	3	114th, 115th and 116th
Mr. Ahmed Jahangir	6	6	-	
Mr. Samad A. Habib	6	4	2	114th and 115th
Mr. Mirza Mehmood Ahmed	6	3	3	112th, 113th and 116th
Mr. M. Saqib Saleem (Chief Financial Officer and Company Secretary)	6	6	-	
Mr. Umair Ahmed (Chief Financial Officer)	6	4	-	Resigned in March 2015

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

19.4 Particulars of investment committee and fund manager

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

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

19.5 Other funds managed by the fund manager

Mr. Saad Ahmed

Mr. Saad Ahmed is the Manager of the Fund as at year end. He has obtained a Masters degree in Business Administration . Other funds being managed by him are as follows:

- MCB DCF Income Fund (*Formerly: MCB Dynamic Cash Fund*) ; and
- MCB Pakistan Sovereign Fund (*Formerly: MetroBank Pakistan Sovereign Fund -Perpetual*)

20. DATE OF AUTHORISATION

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

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



Chief Executive Officer



Director

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

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
Adamjee Insurance Company Limited - Investment Department	1	19,131,871
Adamjee Insurance Company Limited	1	8,655,218
MCB-Arif Habib Savings and Investments Limited	1	379,880
 D.G. Khan Cement Company Limited - Employees Provident Fund	 1	 15,057,137
Public Sector Companies and Corporations	38	53,594,637
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	2	1,340,805
	7	8,912,626
Individuals	477	11,563,902
Trust	-	-
Others	43	6,552,000
	571	125,188,076

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

No. of Unit Holder	Unit holdings	Total Units Held
345	1-10000	1,050,465
148	10001-100000	4,600,040
59	100001-1000000	18,795,472
19	1000001 onwards	100,742,099
571		125,188,076

PERFORMANCE TABLE

Performance Information	2015	2014	2013	2012	2011	2010
Total Net Assets Value – Rs. in million	12,532.65	10,180.73	11,075.00	18,971.00	10,393.00	6,525.00
Net Assets value per unit – Rupees	100.11	100.02	101.10	100.17	100.25	101.89
Highest offer price per unit	108.46	101.74	103.59	103.13	103.17	103.34
Lowest offer price per unit	100.00	100.00	100.23	100.00	100.02	100.03
Highest Redemption price per unit	108.46	101.39	102.81	103.13	103.17	103.34
Lowest Redemption price per unit	100.00	100.00	100.19	100.00	100.02	100.03
Distribution per unit (Annual) Rs.	8.70	0.75	1.10	1.69	1.75	1.89
Distribution per unit (Interim) – Rs.	0.00	7.16	7.97	0.65	3.13	
Average Annual Return - %						
One year	8.83	8.25	9.20	11.30	11.60	10.70
Two year	8.53	8.73	5.40	12.13	11.80	NA
Three year (inception date September 30, 2009)	8.75	9.57	4.00	NA	NA	NA
Net Income for the period – Rs. in million	130.69	1,059.01	845.86	1,391.36	1,062.93	552.425
Income Distribution – Rs. in million	120.58	1,056.87	864.53	1,380.56	1,036.98	552.425
Accumulated Capital Growth – Rs. in million	10.11	2.13	(18.66)	10.81	25.94	0.00
Weighted average Portfolio Duration (months)	1.70	4.17	2.60	0.73	492.75	4.75

Disclaimer








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










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