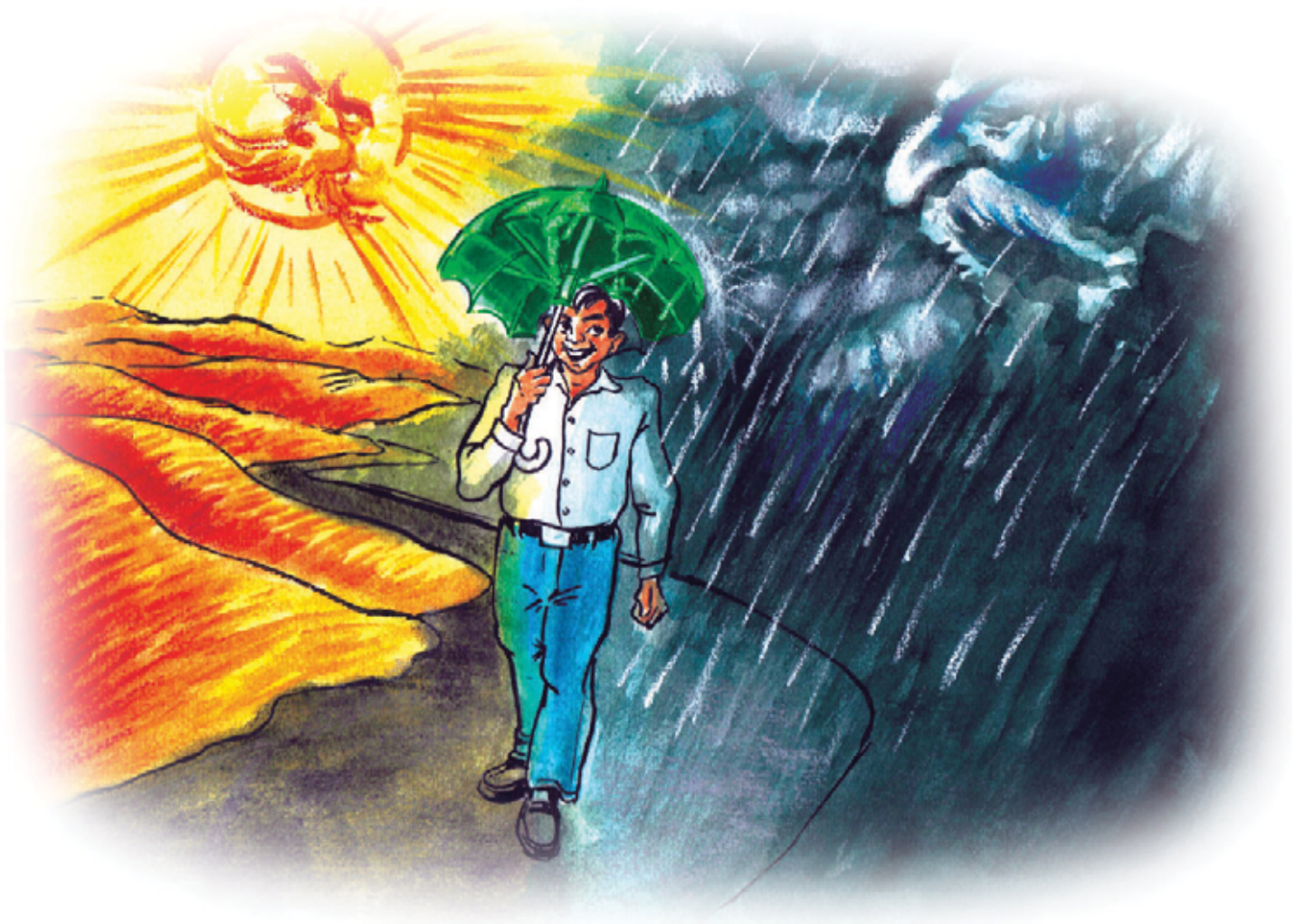


**Half Year Report**  
**December 31, 2016**  
**(Unaudited)**



**PAKISTAN**

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# **SARMAYA MEHFOOZ** **FUND**

**MCB-Arif Habib Savings and Investments Limited**  
Rated: AM2++ 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**

To 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.

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmed	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer &amp; Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi-75350.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2++ Asset Manager Rating assigned bt PACRA	

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE PERIOD ENDED DECEMBER 19, 2016

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Sarmaya Mehfooz Fund** accounts review for the period ended December 19, 2016.

## ECONOMY AND MONEY MARKET OVERVIEW

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports along with weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% along with increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million along with the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06<sup>th</sup> Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in For-ex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

LSM grew by 3.24% YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing.

Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

## EQUITIES MARKET OVERVIEW

Pakistan Stock Exchange (PSX) continued its positive momentum of 1QFY17 by posting another 16.64% return in 2QFY16 to conclude the period 26.53% higher (47,807 points). In calendar year 2016, the local bourse remained the best performing market in the region and stood 5th in global ranking with a USD based return of 45%. This was despite an aggressive selling from the foreign investors, who remained net sellers of USD 298mn in 1HFY16, compared to USD 240 mn in the corresponding period last year. This heavy selling was absorbed mostly by Mutual Funds and NBFCs with net buying of USD 307mn and USD 102mn, respectively.

Auto Parts Manufacturers and Auto Assemblers remained the best performing sectors during 1HFY17 with returns of 83% and 77%, respectively. Among the mainstream sectors, Banks outperformed the rest with a 33% return during the period under review, mainly on account of improving advances, rising deposits and bottomed out interest rate outlook. Cements also posted a 30% return during the period under review as strong demand coupled with healthy margins kept the investors' interest alive in the sector. Improving crude oil prices also made a mark on the E&Ps, which posted a healthy 27% return during 1HFY17. Fertilizers on the other hand, underperformed the index by posting a modest 2% return, as rising inventories coupled with discounts on urea prices took their toll on the sector.



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE PERIOD ENDED DECEMBER 19, 2016

We expect the positive momentum to continue going ahead as market draws close to its graduation to MSCI EM Index. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. PSX is currently trading at a forward multiple of 11.99x, still trading at a 10.5% discount to the MSCI EM, reflecting further room for re-rating from here.

### FUND PERFORMANCE

The fund posted a return of 3.27% against its benchmark return of 2.73%. The fund was 4.9% allocated in equity investments, 37.1% in T-Bills and 23.8% in Term Deposits.

The Net Assets of the Fund as at December 19, 2016 stood at Rs. 660 million while it stood at Rs. 666 million as at June 30, 2016 registering a decrease of 0.9%. The fund matured in November, 2016.

The Net Asset Value (NAV) per unit as at December 19, 2016 was Rs. 108.9302 while it stood at Rs. 105.4829 as at June 30, 2016 registering an increase of Rs. 3.4473 per unit.

### FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation along with weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

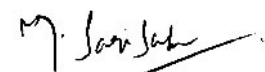
The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

### 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,



**Muhammad Saqib Saleem**

Chief Executive Officer

February 2, 2017

## عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان سرمایہ محفوظ فنڈ کے 19 دسمبر 2016ء کو ختم ہونے والی پہلی ششماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار کا مجموعی جائزہ

خارجی اکاؤنٹ میں کمزوری نے اہم ترین معاشی علامات میں گزشتہ 2 برسوں سے جاری ترقیاتی بہتری میں خدشات پیدا کیے۔ کمزور تجارتی توازن کے باعث، جس کی بنیادی وجوہات برآمدات کا پست رجحان اور پہلے سے زیادہ درآمدات، بشمول سروسز اور ترسیلات زر کی کمزور کارکردگی ہیں، مجموعی کرنٹ اکاؤنٹ بیلنس پر دباؤ رہا جو 2017ء کی پہلی ششماہی میں 92% بڑھ کر 3.6 بلین ڈالر ہو گیا۔ یاد رہے کہ درآمدات میں جزوی اضافے کی محرک مشینری کی درآمدات ہیں جن میں 8.3% اضافہ ہوا، بشمول تیل کی درآمدات میں اضافے کے، جس میں OPEC کے خام تیل کی بین الاقوامی قیمتوں میں معاونت کے حالیہ اقدامات کے پیش نظر مزید اضافہ متوقع ہے۔ ادائیگیوں کے توازن کے تحفظ کی 3.7 بلین ڈالر کے مالیاتی اکاؤنٹ سے حوصلہ افزائی ہوئی، اور اس ضمن میں اہم ترین پیش رفت 740 ملین ڈالر کے قرض، بشمول اینگرو فوڈز میں Freisland Campina کی حصص داری کی تکمیل پر FDI (غیر ملکی براہ راست سرمایہ کاری) میں اضافے سے ہوئی۔ ادائیگیوں کے توازن کا مجموعی بیلنس 225 ملین ڈالر تھا، جبکہ گزشتہ سال کی اسی مدت کے دوران 1.5 بلین ڈالر تھا۔

زیر مبادلہ کے ذخائر 23.2 بلین ڈالر تھے (06 جنوری 2017ء)۔ یاد رہے کہ فوریکس ذخائر میں اتار چڑھاؤ کا سبب SBP (اسٹیٹ بینک آف پاکستان) کے ذخائر ہیں، جہاں 2017ء کی پہلی ششماہی میں حکومت کے قرضوں کے حصول اور قرضوں کی ریٹائرمنٹ کا منفی بیلنس ہے جبکہ اکتوبر 2016ء میں بلند ترین سطح سے تقریباً 1 بلین ڈالر کم پر کلوئنگ ہوئی۔ پاکستانی روپیہ 2017ء کی پہلی ششماہی میں تقریباً 0.4% ترقی کر کے امریکی ڈالر کے مقابلے میں چکدار رہا، اور اس سے بھی دیگر ترقی پذیر معیشتوں میں کمزوری کو مد نظر رکھتے ہوئے خدشات پیدا ہوئے جن کا اظہار SBP کے پیمائش کردہ REER سے ہوا، جو 126 کی بلند سطح پر پہنچا جس سے خطیر اضافے کی عکاسی ہوتی ہے۔

مالیاتی خسارہ (مالی سال 2017ء کی پہلی سہ ماہی میں) غیر ٹیکس آمدنی میں تیزی سے کمی کے باعث GDP (مجموعی غیر ملکی پیداوار) کے 1.3% تک بڑھ گیا، بالمقابل SPLY میں 1.1% کے ٹیکس اتھارٹی 2017ء کی پہلی ششماہی کے دوران عارضی بنیادوں پر 1,460 بلین روپے جمع کر سکی، جو مطلوبہ ہدف سے 127 بلین روپے کم ہے۔ 3.6 ٹریلین روپے سالانہ ٹیکس کے ہدف کے پیش نظر، جو YoY 17% کی ترقیاتی شرح اور ترقیاتی کاموں میں زیادہ خرچ کرنے کا تقاضہ کرتا ہے، مالیاتی خسارے میں بجٹ کے 3.8% کے ہدف کے مقابلے میں 4.5% اضافہ متوقع ہے۔ تاہم ترقیاتی کاموں پر خرچ کرنے پر حکومتی توجہ مجموعی طور پر طویل المیعاد سمت میں مثبت ہے، چنانچہ اس گوشے میں انحطاط بڑا مسئلہ نہیں ہے۔

LSM میں 5MFY17 YoY 3.24% ترقی ہوئی جس کے اسباب کمزور یومر، الیکٹریکل، آٹوموبائلز اور سیمنٹ مینوفیکچرنگ ہیں۔

افراط زر میں بدستور اضافہ ہوتا رہا؛ پہلی ششماہی میں افراط زر کا اوسط 33.8% تھا جبکہ 2016ء کی پہلی ششماہی میں 2.08% تھا۔ پہلے سے پست base effect میں بتدریج کمی اور اشیائے خورد و نوش اور ہاؤسنگ کی قیمتوں میں فی نفسہ اضافے افراط زر کے دباؤ کے محرک بنے۔ حکومت پٹرول کی بڑھتی ہوئی قیمتوں کا اثر جذب کرتی رہی جس کے باعث افراط زر کی سطح پست رہی۔ M2 ترقی میں سال کے اختتام تک 5.45% year to date ترقی ہوئی۔ اختتام سال پر بینکوں کی بیلنس شیٹ کا حجم وسیع کرنے کی کوششوں کی مدد سے ڈپازٹس میں ایک ہفتے میں 420 بلین روپے موسمی ترقی ہوئی۔ اس کے بعد M2 ترقی 3.68% کی عمومی سطح تک پہنچ گئی۔ علاوہ ازیں، گزشتہ سال نقد رقم نکالنے پر وہولڈنگ ٹیکس عائد کرنے کی وجہ سے زیر گردش روپے (CIC) میں جو غیر معمولی انبار لگ گیا تھا وہ عمومی سطح پر آ گیا ہے، اگرچہ CIC کا M2 سے تناسب اب 2.6% ہے جو گزشتہ اوسط 2.2% سے زیادہ ہے۔ حکومتی سیکٹر کی 390 بلین

روپے قرضوں کی net حصول کی مدد سے net مقامی اثاثہ جات میں 518 ملین روپے اضافہ ہوا۔

## ایکویٹیز مارکیٹ کا مجموعی جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے مالی سال 2016ء کی پہلی سہ ماہی کی مثبت رفتار جاری رکھتے ہوئے مالی سال 2016ء کی دوسری سہ ماہی میں ایک اور 16.64% منافع کمایا اور مدت کی تکمیل 26.53% زیادہ (47,807 پوائنٹس) پر کی۔ امریکی ڈالر پر مبنی 45% منافع کے ساتھ مقامی اسٹاک مارکیٹ کیلنڈر سال 2016ء میں خطے میں بہترین کارکردگی کا مظاہرہ کرنے والی مارکیٹ بنی رہی اور عالمی درجہ بندی میں پانچویں نمبر پر تھی۔ یہ کامیابی غیر ملکی سرمایہ کاروں کی طرف سے جارحانہ فروخت کے باوجود تھی، جو 2016ء کی پہلی ششماہی میں 298 ملین ڈالر کے net فروخت کا رہنے رہے، بالمقابل گزشتہ سال کی پہلی ششماہی میں 240 ملین ڈالر کے۔ اس بھاری فروخت کے اثر کا بڑا حصہ میوچل فنڈز اور NBFCs نے جذب کیا، بالترتیب 307 ملین ڈالر اور 102 ملین ڈالر کی net خریداری کے ساتھ۔

گاڑیوں کے پُرزہ جات کے تیار کنندگان اور گاڑیوں کے اسمبلرز 2017ء کی پہلی ششماہی کے دوران بہترین کارکردگی کا مظاہرہ کرنے والے شعبے بنے رہے، بالترتیب 83% اور 77% منافع کے ساتھ۔ بڑے شعبوں میں سے بینکوں نے زیر جائزہ مدت کے دوران 33% منافع کا کما کر سب سے عمدہ کارکردگی کا مظاہرہ کیا، جس کی بنیادی وجوہات ایڈوانسز میں بہتری، بڑھتے ہوئے ڈپازٹس اور انٹریسٹ پست ترین شرحیں ہیں۔ سینٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران 30% منافع کمایا کیونکہ بھرپور مانگ اور اس کے ساتھ صحتمند margins نے اس شعبے میں سرمایہ کاروں کی دلچسپی برقرار رکھی۔ خام تیل کی قیمتوں میں بہتری سے بھی E&Ps پر مثبت اثرات مرتب ہوئے جس نے 2017ء کے پہلی ششماہی کے دوران صحتمند 27% منافع کمایا۔ دوسری جانب کھاد کے شعبے نے صرف 2% منافع کما کر انڈیکس سے کم کارکردگی کا مظاہرہ کیا، جس کی وجوہات انوینٹریز میں اضافہ اور اس کے ساتھ یورپی قیمتوں پر ڈسکاؤنٹس نے اس شعبے کو متاثر کیا۔

ہم امید کرتے ہیں کہ جوں جوں مارکیٹ MSCI EM انڈیکس تک اپنی گریجویٹیشن کے قریب پہنچ رہی ہے، یہ مثبت رفتار جاری رہے گی۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں بھی فکسڈ آمدنی کے منافع کو پست رکھے ہوئے ہیں جس سے ایکویٹی مارکیٹ میں liquidity کا رجحان مزید بڑھ رہا ہے۔ PSX موجودہ طور پر 11.99x کے فارورڈ ملٹیپل پر، اور ابھی تک MSCI EM کے 10.5% ڈسکاؤنٹ پر تجارت کر رہا ہے، اور اس سے عکاسی ہوتی ہے کہ یہاں ری-ریٹنگ کی مزید گنجائش ہے۔

## فنڈ کی کارکردگی

فنڈ نے مقررہ معیار 2.73% کے مقابلے میں 3.27% منافع حاصل کیا۔ فنڈ کی سرمایہ کاری 4.9% ایکویٹی انویسٹمنٹس میں، 37.1% ٹی۔بلز میں اور 23.8% ٹرم ڈپازٹس میں تھی۔

19 دسمبر 2016ء کو فنڈ کے net اثاثہ جات کی مالیت 660 ملین روپے تھی، جو 30 جون 2016ء کو 666 ملین روپے مالیت سے 1.2% کم ہے۔ فنڈ نومبر 2016ء میں میچور ہو گیا تھا۔

19 دسمبر 2016ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 108.9302 روپے تھی، جو 30 جون 2016ء کو 105.4829 روپے قدر سے 3.4473 روپے فی یونٹ زیادہ ہے۔

## مستقبل کا منظر



خام تیل کی قیمتوں کی واپسی سے بڑھتے ہوئے درآمداتی بل کے ماحول میں دستیاب مالیاتی خلاء کے بتدریج ختم ہو جانے کا امکان ہے۔ حکومت کے تازہ ترین پندرہ روزہ فیصلہ جاتی نکات میں پٹرول کی قیمتوں پر نظر ثانی کا حالیہ فیصلہ مالیاتی آزادی پر قدغن کی طرف اشارہ کر رہا ہے۔

حالیہ اعلان کردہ ٹیکسٹائل چیک سے برآمدات کے شعبے کو معاونت فراہم ہونے کی توقع ہے۔ تاہم مطلوبہ سے زیادہ قدر کا حامل روپیہ، جیسا کہ REER سے ظاہر ہوتا ہے، ابھی تک ملک کی درآمداتی مسابقت کی صلاحیت کے لئے ایک رکاوٹ ہے۔ تاہم ممکن ہے کہ یہ نوبت تب تک نہ آئے جب تک حکومت قرض کی حصولی کے ذریعے اس خلیج کو پُر کرنا جاری رکھے گی۔

پٹرول کی قیمتوں میں اضافوں اور اشیائے خورد و نوش کے افراط زر پر ان کے اثر سے متوقع طور پر افراط زر کے دباؤ کا بھی زور ٹوٹ جائے گا۔ ہماری توقع ہے کہ اس سال کے افراط زر کا اوسط 4.3% ہوگا۔ یہاں یہ بات قابل ذکر ہے کہ دوسری ششماہی میں افراط زر کا اوسط تقریباً 4.8% متوقع ہے، اور سال کے اختتامی مہینوں میں افراط زر 5% سے زیادہ ہوگا۔

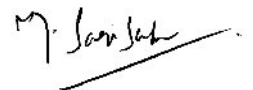
اگرچہ ہمیں اُمید ہے کہ افراط زر کے مستحکم رجحانات کے پیش نظر مختصر میعاد میں انٹریسٹ کی شرحیں مستحکم رہیں گی، لیکن زرمبادلہ کی شرح کی مطلوبہ سے زیادہ قدر، اور اس کے ساتھ کمزور خارجی اکاؤنٹ سے مستقبل میں اُبھرنے والے رجحانات کا باریک بین جائزے کا اندازہ ہوتا ہے، وہ رجحانات جو مالیاتی عناصر کو گس دینے کی حمایت کی طرف جھکے ہونے کے باوجود دونوں جانب مرض پھیلا سکتے ہیں۔ چین پاکستان معاشی راہداری سے ترقی کے لیے بے حد مطلوب قوت حاصل ہونے کا امکان ہے؛ 50 بلین ڈالر سے زائد کا یہ پروگرام متوقع طور پر تعمیرات اور توانائی کی خلاء میں سرگرمیاں پیدا کرنے کا محرک بنے گا اور اس کے اثرات دیگر شعبوں پر بھی مرتب ہوں گے۔ تاہم مختصر میعاد میں درآمداتی بل میں اضافے کے ساتھ غیر ملکی براہ راست سرمایہ کاریوں کی آمدات سے کرنٹ اکاؤنٹ میں مزید انحطاط متوقع ہے۔ طویل میعاد میں منافع کی وطن واپسی بھی ادائیگیوں کے توازن کی صورت حال کے لیے ایک خدشہ ہوگی۔

پاکستان انٹریسٹ کی پست / مستحکم شرح کے ماحول اور اس کے ساتھ چین پاکستان معاشی راہداری کی صورت میں ترقی کے محرک کے باعث بہتر مقام بنانے اور معاشی توسیعی چکر میں ہونے کی وجہ سے اُبھرتی ہوئی مارکیٹ کی دیگر معیشتوں کے مقابلے میں بہتر کارکردگی کا مظاہرہ کرے گا۔ اُمید کی جارہی ہے کہ اس پروگرام سے تعمیرات اور متعلقہ صنعتی شعبوں کو معاونت فراہم ہوگی۔ بینکاری کے شعبے کو بھی ایڈوانسز کی مضبوط ترقی اور انٹریسٹ کی مستحکم شرح کے ماحول سے متوقع طور پر فائدہ ہوگا۔ باقاعدہ شمولیت کے قریب آنے پر MSCI سے مخصوص کمپنیوں کا منظر عام پر آنا متوقع ہے۔ تاہم ٹرمپ کے امریکی صدر بننے کے بعد عالمی معیشتوں میں غیر یقینی حالات کے نتیجے میں عالمی مارکیٹس میں عدم استحکام اور اُبھرتی ہوئی مارکیٹ کے فنڈز پر redemption کے دباؤ سے مارکیٹ کی مختصر المیعاد کارکردگی متاثر ہوگی۔ لیکن ہم مارکیٹ کے بارے میں اپنے مثبت نظریے کا اعادہ کرتے ہیں۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سیکرٹریز اینڈ ایگزیکٹو کمیشن آف پاکستان اور فنڈ کے ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکریہ ادا ہے۔ علاوہ ازیں، ڈائریکٹر مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

برائے بورڈ اور بورڈ کی جانب سے



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

02 فروری 2017ء

# REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED DECEMBER 19, 2016



**Deloitte Yousuf Adil**  
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## REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

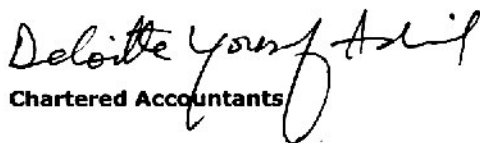
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company (the Company) of **Pakistan Sarmaya Mehfooz Fund (the Fund)** for the period ended December 19, 2016 to comply with the requirements of clause no. 5.19 of the Listing Regulations of Pakistan Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the period ended December 19, 2016.

  
Chartered Accountants

Date: 02 FEB 2017  
Karachi

Member of  
Deloitte Touche Tohmatsu Limited

# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED DECEMBER 19, 2016

## PAKISTAN SARMAVA MEHFOOZ FUND STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED DECEMBER 19, 2016

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company) of **Pakistan Sarmaya Mehfooz Fund** ("the fund") to comply with the Code of Corporate Governance contained in clause no. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

**Pakistan Sarmaya Mehfooz Fund** is an open end mutual fund and is listed on Pakistan 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 have 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 (the Board). At present the Board includes

Category	Names
Independent Directors	<ol style="list-style-type: none"> <li>1. Dr. Salman Shah</li> <li>2. Mr. Haroun Rashid</li> <li>3. Mr. Mirza Mehmood</li> </ol>
Executive Director	<ol style="list-style-type: none"> <li>1. Mr. Muhammad Saqib Saleem – Chief Executive Officer</li> </ol>
Non – Executive Directors	<ol style="list-style-type: none"> <li>1. Mian Mohammad Mansha – Chairman</li> <li>2. Mr. Nasim Beg – Vice Chairman</li> <li>3. Mr. Ahmed Jehangir</li> <li>4. Mr. Samad Habib</li> </ol>

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
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 Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. 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.
5. 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.
6. 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.
7. 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.
8. All the directors on the Board possess the required training or qualification and experience as required by the Code.
9. No new appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit was made during the period. Subsequent to the period Board has approved the appointment of Chief Financial Officer in their meeting held on February 02, 2017.
10. The Directors' Report of the Fund for the period ended December 19, 2016 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
11. The financial statements were duly endorsed by the Chief Executive Officer and the Chief Financial Officer of the Management Company before approval of the Board.



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE PERIOD ENDED DECEMBER 19, 2016

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12. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the fund other than that disclosed in the pattern of unit holding.
13. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
14. The Board has formed an Audit Committee for the Management Company. It comprises four members who are non-executive directors and the chairman of the committee is an independent director.
15. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim 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.
16. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom four are non-executive directors including the chairman of the committee, who is also an independent director.
17. 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.
18. 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 05, 2016.
19. 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.
20. 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.
21. 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 the Management Company's shares, was determined and intimated to directors, employees and the stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
23. The Management Company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board

  
**Muhammad Saqib Saleem**  
Chief Executive Officer

Karachi: February 02, 2017

**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**



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**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF  
PAKISTAN SARMAYA MEHFOOZ FUND**

**Report on the Audit of the Financial Statements**

**Opinion**

We have audited the financial statements of Pakistan Sarmaya Mehfooz Fund (the Fund), which comprise the statement of assets and liabilities as at December 19, 2016, and the income statement, statement of comprehensive income, distribution statement, statement of movements in unit holder's fund, cash flow statement and notes to the financial statements including a summary of significant accounting policies for the period from July 01, 2016 to December 19, 2016 (the period).

In our opinion, the accompanying financial statements give a true and fair view of the state of the Fund's financial position as at December 19, 2016 and of its financial performance, cash flows and transactions for the period then ended in accordance with approved accounting standards as applicable in Pakistan.

**Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Institute of Chartered Accountants of Pakistan's (ICAP) Code of Ethics for chartered accountants (ICAP Code), which is consistent with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with other ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Emphasis of Matter – Going Concern Assumption**

We draw attention to Note 1.4 in the financial statements, which describes that the duration of the Fund was 2 years starting from the close of initial offering period (December 19, 2014) to December 19, 2016. Consequently the Fund was wound up on December 19, 2016 and is in the process of liquidation and as disclosed in note 25 to the financial statements the Fund has redeemed all of its units and disbursed the redemption proceeds to the unitholders subsequent to period end. Our opinion is not modified in respect of this matter.

**Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

S.No.	Key audit matter	How our audit addressed the key audit matter
a)	<b>Liquidation of the Fund</b>	
	As disclosed in note 1.4 to the financial statements, the Fund was a capital protected open ended mutual fund with the objective to protect	Since the fund is in the process of liquidation and is not a going concern, we have verified that all assets are measured at realisable values and

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**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**



**Deloitte Yousuf Adil**  
Chartered Accountants

S.No.	Key audit matter	How our audit addressed the key audit matter
	<p>the initial investment value of investors at maturity with secondary objective of providing growth over the period. The units of the Fund were redeemable subject to a Back-end Load. The units were listed on the Pakistan Stock Exchange (PSX), formerly Lahore Stock Exchange.</p> <p>The duration of the Fund was 2 years starting from the close of initial offering period which was December 19, 2014. The duration of the fund has expired on December 19, 2016 and the fund is in the process of liquidation. Therefore, the fund is not considered a going concern.</p> <p>Considering the above situation of liquidation of the fund the matter has been considered as a key audit matter.</p>	<p>liabilities at amounts payable, in line with the requirements of IAS 1 – Presentation of Financial Statements as follows:</p> <ul style="list-style-type: none"> <li>The fund has liquid assets in the form of bank balances which have been verified through bank statements; and</li> <li>The liabilities also included current liabilities and accruals which have been subsequently settled or transferred to the trustee with the related funds.</li> </ul> <p>No adjustments are required as the assets and liabilities are stated at values at which they are expected to be realised or settled.</p>
<b>b)</b>	<b>Workers' Welfare Fund (WWF)</b>	
	<p>As detailed in Note 9.1 to the financial statements that On November 10, 2016 the Supreme Court of Pakistan declared the amendments made by the Finance Acts 2006 and 2008 as ultra vires and Mutual Funds Association of Pakistan (MUFAP) through its letter dated January 12, 2017 directed all mutual funds to reverse the provision of WWF held in the Fund and simultaneously create a provision for Sindh WWF as required by Sindh Workers Welfare Fund Act, 2014 (Sindh Act XXXIII of 2015) from May 21, 2015.</p> <p>The Fund has therefore recorded a provision of Rs. 0.84 million for SWWF and reversed an amount provision of Rs. 1.83 million for WWF, resulting in a net reversal of Rs. 0.99 million.</p>	<p>We reviewed the letter from MUFAP which instructed CISs through its letter dated January 12, 2017 to reverse the accumulated provision for WWF and create a provision for SWWF.</p>
<b>c)</b>	<b>Federal Excise Duty (FED) on remuneration of the Management Company</b>	
	<p>As disclosed in detail in note 9.2 to the enclosed financial statements, the Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As these services are already subject to provincial sales tax on services, the Management Company is of the view that further levy of FED was not justified.</p>	<p>We reviewed correspondence relating to the development of the case during the period and held discussions with the client regarding the expectation of settlement of liability, if any. Since this is an issue facing the industry at large, management has decided to retain the provision. The management company has</p>

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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE PERIOD ENDED DECEMBER 19, 2016



**Deloitte Yousuf Adil**  
Chartered Accountants

S.No.	Key audit matter	How our audit addressed the key audit matter
	<p>On September 04, 2013, a joint constitutional petition against this levy was filed in Sindh High Court (SHC) by various asset management companies. SHC disposed of the petition by rendering FED on certain services to be 'Ultra Vires' in the presence of Sindh Sales Tax Act 2011. The Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan against this judgment, which is pending adjudication.</p> <p>In view of the pending decision by the Supreme Court of Pakistan, the Management Company decided to retain the provision for FED already made in the books of accounts of the Fund.</p>	<p>subsequently transferred the amounts to the Trustees.</p>

## Information Other than the Financial Statements and Auditor's Report Thereon

The Board of Directors (the Board) along with the management of the MCB-Arif Habib Savings and Investments Limited (the management company), manage the affairs of Pakistan Sarmaya Mehfooz Fund (the Fund). Therefore, the Board and the Management Company are responsible for other information, which comprises the Director's Report, Fund Manager's Report and Trustee report to the unit holders which we obtained prior to the date of this auditor's report. Other information does not include the financial statements & our audit report thereon and Statement of Compliance with the Best Practices of the Code of Corporate Governance & our review report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of Management Company for the Financial Statements

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

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or has no realistic alternative but to do so. Since the Fund was formed for a limited time period as described in Note 1.4, there was no need of a formal assessment and the attached financial statements are prepared on an alternate basis as prescribed by IAS

The Management Company is responsible for overseeing the Fund's financial reporting process.

Member of  
Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE PERIOD ENDED DECEMBER 19, 2016



Deloitte Yousuf Adil  
Chartered Accountants

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained. The Management Company has made an assessment that as the Fund has completed its fixed period of two years and therefore is not considered to be a going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. Please refer to the Emphasis of matter paragraph above for information related to the Fund's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Member of  
Deloitte Touche Tohmatsu Limited



**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

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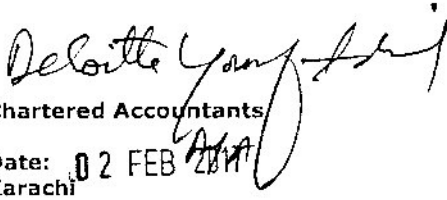
**Deloitte**

**Deloitte Yousuf Adil**  
Chartered Accountants

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Mushtaq Ali Hirani.

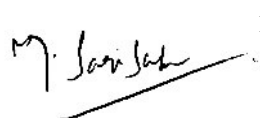
  
Chartered Accountants  
Date: 02 FEB 2017  
Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

# STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 19, 2016

		December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
ASSETS			
Balances with banks	5	667,825	288,274
Investments	6	-	363,233
Dividend and profit receivable	7	-	23,893
Security deposits	8	2,600	2,745
Preliminary expenses and floatation costs		-	1,013
Total assets		670,425	679,158
LIABILITIES			
Payable to the Management Company		519	679
Payable to the Central Depository Company of Pakistan Limited - Trustee		51	81
Payable to the Securities and Exchange Commission of Pakistan - Annual fee		234	517
Accrued expenses and other liabilities	9	9,734	12,336
Total liabilities		10,538	13,613
NET ASSETS		659,887	665,545
UNITHOLDERS' FUND (as per statement attached)		659,887	665,545
Contingencies and commitments		10	
		(Number of units)	
NUMBER OF UNITS IN ISSUE		6,241,310	6,309,503
		(Rupees)	
NET ASSET VALUE PER UNIT		4.12	105.48

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



Chief Executive Officer

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



Director



# INCOME STATEMENT FOR THE PERIOD ENDED DECEMBER 19, 2016

		For the period ended December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
INCOME			
Capital gain/(loss) on sale of investments - net		317	(6,274)
Income from government securities		5,159	26,853
Profit on bank deposits and term deposit receipts		10,696	19,063
Dividend income		5,803	10,706
Other income		668	2,155
Reclassification adjustment relating to impairment of investments classified as available for sale		-	(3,950)
Impairment loss on available for sale investments		-	(10,099)
Total income		22,643	38,454
EXPENSES			
Remuneration of the Management Company	11	3,126	6,891
Sales tax and Federal Excise Duty on remuneration of the Management Company		406	2,216
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	406	896
Sindh Sales Tax on remuneration of the Trustee	13	53	126
Securities and Exchange Commission of Pakistan - annual fee	14	234	517
Allocated expenses including indirect taxes	15	354	454
Legal and professional		72	610
Settlement and bank charges		1,178	615
Fee and subscriptions expense		-	352
Zakat		1,102	2,619
Amortisation of preliminary expenses and floatation costs		1,013	2,169
Auditors' remuneration	16	259	606
Printing and related costs		1	323
Total expenses		8,204	18,394
Net income from operating activities		14,439	20,060
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed			
arising from capital gain and unrealised gain		(111)	16
arising from other income		(14)	(2,284)
Provision for Workers' Welfare Fund	9.1	643	-
Net income for the period before taxation		13,671	17,792
Taxation	17	-	-
Net income for the period after taxation		13,671	17,792
Earnings per unit	4.9		

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



Chief Executive Officer

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



Director

# STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED DECEMBER 19, 2016

	For the period ended December 19, 2016	June 30, 2016
Note	(Rupees in '000)	
<b>Net income for the period after taxation</b>	13,671	17,792
<b>Other comprehensive income for the period</b>		
<i>Items that may be reclassified to profit or loss account</i>		
Unrealised appreciation / (diminution) on re-measurement of investments classified as available for sale - net	12,449	(18,384)
Reclassification adjustment relating to impairment of investments classified as available for sale	-	3,950
<b>Total comprehensive income for the period</b>	<b>26,120</b>	<b>3,358</b>

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



Chief Executive Officer

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



Director

# DISTRIBUTION STATEMENT FOR THE PERIOD ENDED DECEMBER 19, 2016


	For the period ended December 19, 2016	June 30, 2016
	(Rupees in '000)	
Undistributed income brought forward	33,036	36,470
Net element of income and capital gains included in the price of units issued less those in units redeemed transferred from unit holder's fund- amount representing unrealised income	(821)	(2,770)
Net income for the period after taxation	13,671	17,792
	12,850	15,022
<b>Distribution:</b>		
Interim cash distribution for the year ended June 30, 2016 at Rs 3 per unit (Date of distribution: June 27, 2016)	-	(18,456)
Interim cash distribution for the period ended December 19, 2016 at Rs 4 per unit (Date of distribution: December 16, 2016)	(24,138)	-
	(24,138)	(18,456)
<b>Undistributed income carried forward</b>	<b>21,748</b>	<b>33,036</b>
<b>Represented by:</b>		
- Realised gains	21,748	33,036
	21,748	33,036

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



Chief Executive Officer

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



Director

# STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND FOR THE PERIOD ENDED DECEMBER 19, 2016

	For the period ended December 19, 2016 (Rupees in '000)	June 30, 2016
<b>Net assets at beginning of the period</b>	665,545	740,976
Issue of 206,728 units (2016: 6,507 units) <i>(206,728 units (2016: 184,490 units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 24.13 million (2016:Rs. 20 million) - net of tax)</i>	21,772	17,213
Redemption of 274,921 units (2016: 499,158) units	(29,537) (7,765)	(79,813) (62,600)
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:		
- arising from capital gain and unrealized gain - transferred to the Income Statement	(111)	(16)
- arising from other income - transferred to the Income Statement	(14)	2,284
- amount representing unrealised gain and capital gains that forms part of the unitholders' fund transferred to the Distribution Statement - Net	821 696	2,770 5,038
Net element of (loss) / income and capital (loss) / gains included in prices of units issued less those in units redeemed - amount representing unrealized income	(821)	(2,770)
Capita gain / (loss) on sale of investments	317	(6,274)
Unrealised (diminution) / appreciation on re-measurement of investments classified as available for sale	-	(14,434)
Other net income for the period	26,053	24,065
Interim distribution made during the period (Refer distribution statement)	(24,138) 2,232	(18,456) (15,099)
<b>Net assets at end of the period</b>	659,887	665,545
	(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>	6,241,310	6,309,503
	(Rupees in '000)	
<b>NET ASSET VALUE PER UNIT</b>	105.73	105.48

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



Chief Executive Officer

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



Director

# CASH FLOW STATEMENT FOR THE PERIOD ENDED DECEMBER 19, 2016

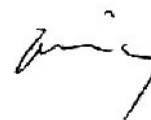
	For the period ended December 19, 2016	June 30, 2016
	(Rupees in '000)	
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	13,671	17,792
<b>Adjustments for</b>		
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed		
- arising from capital gain and unrealized gain	111	(16)
- arising from other income	14	2,284
Amortisation of preliminary expenses and floatation costs	1,013	2,169
Impairment expenses	-	14,049
	14,809	36,278
<b>Decrease / (increase) in Assets</b>		
Investments	375,682	247,404
Dividend and profit receivable	23,893	(4,835)
Advance, deposits and prepayments	145	56
	399,720	242,625
<b>(Increase) / decrease in liabilities</b>		
Payable to the Management Company	(160)	(4,700)
Payable to the Central Depository Company of Pakistan Limited - Trustee	(30)	2
Payable to the Securities and Exchange Commission of Pakistan - fee	(283)	234
Accrued expenses and other liabilities	(2,602)	3,949
	(3,075)	(515)
<b>Net cash generated from operating activities</b>	A 411,454	278,388
<b>B. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash received from units sold - net of dividend reinvest	(2,366)	(1,243)
Cash paid on units redeemed	(29,537)	(79,813)
<b>Net cash (used in) / generated from financing activities</b>	B (31,903)	(81,056)
<b>Net increase in cash and cash equivalents</b>	(A+B) 379,551	197,332
Cash and cash equivalents at beginning of the period	288,274	90,942
<b>Cash and cash equivalents at end of the period</b>	667,825	288,274

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



Chief Executive Officer

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



Director



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

### 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Sarmaya Mehfooz Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 21, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 13, 2014 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.
- 1.3 The Fund is a capital protected open ended mutual fund with the objective to protect the initial investment value of investors at maturity with secondary objective of providing growth over the period. The units of the Fund are redeemable subject to a Back-end Load. The units are listed on the Pakistan Stock Exchange (PSX), formerly Lahore Stock Exchange.
- 1.4 According to Clause 25.2 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e. December 22, 2014 till June 30, 2015. The duration of the Fund was 2 years starting from the close of initial offering period which was December 19, 2014. The duration of the fund has expired on December 19, 2016 and the fund is in the process of liquidation.
- 1.5 The Fund primarily invests in equity securities while a combination of investments in bank deposits and government securities are used to take fixed-income exposure with a view to provide capital protection.
- 1.6 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated June 8, 2016 to the Management Company and capital protection rating CP2+ dated February 19, 2016 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

### 2. STATEMENT OF COMPLIANCE

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

#### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the period ended December 19, 2016

The following standards are effective for the period ended December 19, 2016. These standards 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*

Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)  
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)  
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)  
Equity Method in Separate Financial Statements (Amendments to IAS 27)  
Disclosure Initiative (Amendments to IAS 1)  
Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28)

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

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

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These 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.

<i>Standards / amendments / interpretations</i>	<i>Effective for annual periods beginning on or after</i>
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
Accounting for Acquisitions of Interests in Joint Operations (Amendments to IFRS 11)	January 01, 2016
Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	January 01, 2016
Agriculture: Bearer Plants (Amendments to IAS 16 and IAS 41)	January 01, 2016
Equity Method in Separate Financial Statements (Amendments to IAS 27)	January 01, 2016
Classification and Measurement of Share-based Payment Transactions (Amendments to IFRS 2)	January 01, 2018

Other than the aforesaid amendments, the IASB has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases

## 3. BASIS OF PREPARATION

### 3.1 Accounting convention

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

### 3.2 Critical accounting estimates and judgments

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

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (note 4.1 & 4.3).

### 3.3 Functional and presentation currency

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

## 4. SUMMARY OF ACCOUNTING POLICIES

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

### 4.1 Financial assets

The Fund classifies its financial assets in the following categories:

#### *a) 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. All derivatives in a net payable position (negative fair value), are reported as financial liabilities.

#### *b) Available-for-sale*

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

#### *c) Loans and receivables*

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

### **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.

### **Measurement**

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

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

### **Fair value measurement principles**

Investment in debt securities are valued at the rates determined and notified by Mutual Funds Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009, Circular 3 of 2010, Circular 33 of 2012 and Circular 35 of 2012. These Circulars also specify the criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009 as amended by Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

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### *Basis of valuation of government securities*

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

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

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

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

### **4.3 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 amortised 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 equity security classified as available for sale, a significant or prolonged decline in fair value below its cost is objectively considered as evidence of impairment. If any such impairment exists for available for sale financial assets, cumulative gains or losses previously recognised in other comprehensive income are reclassified to Income Statement in the period.

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 and Circular 33 of 2012 issued by the SECP.

### **4.4 Derecognition**

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

### **4.5 Offsetting of financial instruments**

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

### **4.6 Financial liabilities**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

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### **4.7 Accrued expenses and other liabilities**

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

### **4.8 Provisions**

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

### **4.9 Other assets**

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

### **4.10 Taxation**

#### **Current**

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

#### **Deferred**

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

### **4.11 Earnings per unit**

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

### **4.12 Net asset value per unit**

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

### **4.13 Unit holders' fund**

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

### **4.14 Issue and redemption of units**

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

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

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

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

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

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

### 4.16 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities (including government securities) is recognised on a time proportion basis using effective interest rate method.
- Markup on government securities is recognised on an time proportion basis
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'at fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Profit on bank deposits and term deposit receipts is recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

### 4.17 Expenses

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

### 4.18 Dividend distribution and appropriation

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

### 4.19 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.

		December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
<b>5. BALANCES WITH BANKS</b>			
In current account		667,825	-
In saving account	5.1	-	288,274
		667,825	288,274
<b>5.1</b>	These carried interest at the rate Nil (June 30, 2016: 3.75% to 6.95%) per annum.		
<b>6. INVESTMENTS</b>			
<i>Available for sale</i>			
Listed equity securities	6.1	-	203,233
<i>Held for Trading</i>			
Listed equity securities	6.2	-	-
Government securities	6.3	-	-
<i>Loans and receivables</i>			
Term deposit receipts	6.4	-	160,000
		-	363,233

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

6.1 Listed equity securities - Available for sale

Name of the investee company	Number of shares					As at December 19, 2016				Investment as a percentage of total paid up capital of the investee company
	As at June 30, 2016	Purchases during the period	Bonus / right issue during the year	Sales during the period	As at December 19, 2016	Cost	Market value	Appreciation/ (diminution)	Market value as percentage of net assets	Market value as percentage of total investments
----- (Rupees in 000) -----										
<b>Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise</b>										
<b>Cement</b>										
* Dera Ghazi Khan Cement Company	32,000	65,000	-	(97,000)	-	-	-	-	-	-
Lucky Cement Limited	27,700	-	-	(27,700)	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	30,000	-	(30,000)	-	-	-	-	-	-
<b>Chemicals</b>										
ICI Pakistan Limited	25,000	-	-	(25,000)	-	-	-	-	-	-
<b>Commercial Banks</b>										
Habib Bank Limited	81,000	-	-	(81,000)	-	-	-	-	-	-
MCB Bank Limited	34,500	65,000	-	(99,500)	-	-	-	-	-	-
United Bank Limited	40,000	35,000	-	(75,000)	-	-	-	-	-	-
Bank Al Habib	-	220,000	-	(220,000)	-	-	-	-	-	-
Meezan Bank Limited	-	25,000	-	(25,000)	-	-	-	-	-	-
National Bank Limited	-	188,000	-	(188,000)	-	-	-	-	-	-
<b>Fertilizers</b>										
Engro Corporation Limited	129,600	-	-	(129,600)	-	-	-	-	-	-
<b>Food and Personal Care Products</b>										
Al-Shaheer Corporation	500	-	-	(500)	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

Name of the investee company	Number of shares				As at December 19, 2016			Market value as percentage of net assets of total investments	Market value as percentage of total investments	Investment as a percentage of total paid up capital of the investee company
	As at June 30, 2016	Purchases during the period	Bonus / right issue during the year	Sales during the period	As at December 19, 2016	Cost	Market value			
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise										
----- (Rupees in 000) -----										
<b>Glass and Ceramics</b>										
Tariq Glass Industries Limited	49,500	-	-	(49,500)	-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>										
Oil and Gas Development Company	142,000	46,000	-	(188,000)	-	-	-	-	-	-
Pakistan Oilfields Limited	69,000	17,500	-	(86,500)	-	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>										
Hascol Petroleum Limited	-	30,000	-	(30,000)	-	-	-	-	-	-
<b>Paper and Board</b>										
Cherat Packaging Limited	298	-	-	(298)	-	-	-	-	-	-
<b>Personal Goods (Textile)</b>										
Nishat Mills Limited	-	150,000	-	(150,000)	-	-	-	-	-	-
Nishat (Chunian) Limited	-	355,000	-	(355,000)	-	-	-	-	-	-
<b>Pharmaceuticals</b>										
Abbott Laboratories (Pakistan) Limited	9,000	-	-	(9,000)	-	-	-	-	-	-
<b>Power Generation and Distribution</b>										
Hub Power Company Limited	-	206,000	-	(206,000)	-	-	-	-	-	-
Kot Addu Power Company Limited	153,500	-	-	(153,500)	-	-	-	-	-	-
Lalpir Power Limited	620,000	-	-	(620,000)	-	-	-	-	-	-
Pakgen Power Limited	537,000	-	-	(537,000)	-	-	-	-	-	-
<b>As at December 19, 2016</b>										
-----										
-----										
-----										
<b>As at June 30, 2016</b>										
-----										
-----										
-----										
<b>201,634      203,233      1,599      30.53      55.97</b>										

\* These represent transactions with related parties.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

Name of investee company	Face value				As at December 19, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at June 30, 2016	Purchased during the period	Disposed off during the period	Matured during the period	As at December 19, 2016	Carrying value	Appreciation		
Rupees in '000'									
Listed equity securities - Held for trading									
Oil and Gas Exploration Companies									
Oil and Gas Development Company Limited	-	96,000	-	(96,000)	-	-	-	-	-
Pakistan Petroleum Limited	-	40,000	-	(40,000)	-	-	-	-	-
Oil Refineries									
National Refinery Limited	-	19,000	-	(19,000)	-	-	-	-	-
Attock Refinery Limited	-	91,000	-	(91,000)	-	-	-	-	-
Commercial Banks									
MCB Bank Limited	-	50,000	-	(50,000)	-	-	-	-	-
Cable & Electrical Goods									
Pak Elektron Limited	-	90,000	-	(90,000)	-	-	-	-	-
Cement									
Lucky Cement Limited	-	18,000	-	(18,000)	-	-	-	-	-
Personal Goods (Textile)									
Nishat Mills Limited	-	35,000	-	(35,000)	-	-	-	-	-
Pharmaceuticals									
GlaxoSmithKline Pakistan Limited	-	59,000	-	(59,000)	-	-	-	-	-
Fertilizers									
Engro Fertilizer Limited	-	345,000	-	(345,000)	-	-	-	-	-
As at December 19, 2016									
As at June 30, 2016									

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

#### 6.4 Term deposit receipts - loans and receivables

A term deposit receipt amounting to Rs. 160 million carrying interest at the rate of 9.5% per annum was matured on December 19, 2016 along with the accrued interest thereon.



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

		December 19, 2016 (Rupees in '000)	June 30, 2016
<b>6.5 Unrealised appreciation / (diminution) in value of investments classified as available for sale</b>	<b>Note</b>		
Market value of investments	6.1	-	203,233
Cost / carrying amount of investments	6.1	-	201,634
		-	1,599
Less: Unrealised appreciation / (diminution) in value of investments classified as available for sale at beginning of the period - not considered as impaired		-	19,983
		-	(18,384)
Unrealised appreciation / (diminution) in value of available for sale investments reclassified to income statement from other comprehensive income - consider as impaired		-	3,950
		-	(14,434)
<b>7. DIVIDEND AND PROFIT RECEIVABLE</b>			
Dividend receivable		-	492
Profit on term deposit receipts		-	23,029
Profit on saving accounts		-	372
		-	23,893
<b>8. SECURITY DEPOSITS</b>			
Advance tax		-	145
Security deposits - National Clearing Company of Pakistan Limited	8.1	2,500	2,500
- Central Depository Company of Pakistan Limited	8.2	100	100
		2,600	2,745
<b>8.1</b> This represents deposit in respect of trading of listed securities.			
<b>8.2</b> This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.			
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>	<b>Note</b>	December 19, 2016 (Rupees in '000)	June 30, 2016
Provision for Workers' Welfare Fund	9.1	1,834	1,192
Provision for Federal Excise Duty and related tax on:	9.2		
- Management fee		1,947	1,947
- Sales load		2,307	2,307
Withholding tax payable		2,379	1,949
Zakat on encashment of term deposit receipts		-	3,652
Auditors' remuneration		329	419
Brokerage		766	489
Printing and related expenditure		39	133
Others		133	248
		9,734	12,336

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

### 9.1 Provision for workers' welfare fund

The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 1.83 million. This has resulted in an increase in NAV per unit of Rs. Nil on January 12, 2017. Had this reversal been recognized on December 19, 2016, the NAV per unit of the Fund would have been higher by Rs. 0.294 per unit on that date.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP as an abundant caution, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. Subsequent to the period ended December 19, 2016, it has been decided by MUFAP in the meeting held on January 12, 2017 that the fund should record provision for SWWF of Rs 0.84 million in the books of account as at December 19, 2016. Had this provision been recognized on December 19, 2016, the NAV per unit of the Fund would have been lower by Rs. 0.135 per unit on that date.

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

### 9.2 Federal excise duty and related tax payable

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund are already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Sindh High Court (SHC) jointly by various asset management companies, together with Collective Investment Schemes through their trustees, challenging the levy of FED.

The SHC vide its Order dated June 30, 2016 has disposed of the petition by referring its judgment dated June 02, 2016 whereby it rendered the FED on certain services to be 'Ultra Vires' in the presence of Sindh Sales Tax Act 2011. However, the Federal Board of Revenue (FBR) has filed an appeal in the Supreme Court of Pakistan against this judgment by the SHC.

Further, the Federal Government vide Finance Act 2016 has excluded asset management companies and other non-banking finance companies from charge of FED on their services.

In view of the abovementioned facts and the pending decision by the Supreme Court of Pakistan, the Management Company of the Fund has not made any further provision for FED in the books of accounts of the Fund with effect from July 1, 2016 and decided to retain the provision for FED already made in the books of accounts of the Fund which aggregated to Rs. 4.25 million as at December 31, 2016. Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.68 per unit.

## 10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 19, 2016 except as disclosed in note 9.1 and 9.2.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

		For the period ended December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
<b>11. REMUNERATION OF MANAGEMENT COMPANY</b>			
Management fee	11.1	<u>3,532</u>	<u>6,891</u>
<b>11.1</b> Under the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such net assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. The Management Company has charged a remuneration at the rate of 1% per annum of average daily Net Assets. The Provincial Government (Sindh) has levied General Sales Tax at the rate of 13% on the remuneration of the Management Company. Further, the Federal Government had levied Federal Excise Duty (FED) at the rate of 16% under Finance Act 2013 (Refer note 9.2)			
		For the period ended December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
<b>12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration to trustee	12.1	<u>406</u>	<u>896</u>
<b>12.1</b> The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.			
Based on the Trust Deed, the tariff structure applicable to the Fund is as follows:			
<b>Amount of Funds Under Management (Average NAV)</b>		<b>Tariff per annum</b>	
Daily NAV		0.13% per annum of average daily Net Assets	
The remuneration is paid to the trustee monthly in arrears.			
<b>13. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE</b>			
The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13th, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 13% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 (amended upto 2016). Accordingly, the Fund has made an accrual of Rs. 0.053 million on account of Sindh Sales Tax on services chargeable on custodianship services.			
<b>14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE</b>			
		For the period ended December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
Annual fee	14.1	<u>234</u>	<u>517</u>
<b>14.1</b> Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP equal to 0.075 percent of the average annual net assets of the Fund.			

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

		For the period ended December 19, 2016	June 30, 2016
	Note	(Rupees in '000)	
<b>15. ALLOCATED EXPENSES</b>			
Reimbursement of fees and expenses	15.1	313	398
Sales tax on allocated expenses		<u>41</u>	<u>56</u>
		<u>354</u>	<u>454</u>

- 15.1** The SECP via SRO 1160 dated November 25, 2015 amended Clause 60 of NBFC Regulations, 2008 entitling the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs. 0.808 million since November 27, 2015 at the maximum rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

		For the period ended December 19, 2016	June 30, 2016
		(Rupees in '000)	
<b>16. AUDITORS' REMUNERATION</b>			
Audit fee		115	250
Half yearly review		-	125
Other certification and services		134	100
Out of pocket expenses		<u>10</u>	<u>131</u>
		<u>259</u>	<u>606</u>

## 17. TAXATION

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

## 18. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

		For the period ended December 19, 2016	June 30, 2016
		(Rupees in '000)	
<b>18.1 Details of transactions with connected persons are as follows:</b>			
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>			
Remuneration including indirect taxes		3,532	9,107
Allocated expenses		354	454

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

	For the period ended December 19, 2016	June 30, 2016
	(Rupees in '000)	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	459	1,022
CDC Charges	34	34
<b>MCB Bank Limited</b>		
Profit on bank deposits and term deposit receipts	7,300	15,285
Bank charges	8	13
<b>Lalpir Power Limited</b>		
Dividend Income	-	1,240
<b>Pakgen Power Limited</b>		
Dividend Income	537	1,074
<b>Arif Habib Limited</b>		
Brokerage *	100	117
<b>Next Capital Limited</b>		
Brokerage *	85	94
<b>MCB Employees Pension Fund</b>		
Redemption of units 550,336 (2016 : Nil units )	58,187	-
Dividend paid	2,121	1,546
<b>Adamjee Insurance Company Limited Employees Provident Fund</b>		
Redemption of Units 110,067 (2016 : Nil units)	11,637	-
Dividend paid	424	309
<b>Adamjee Life Assurance Company Limited Employees Gratuity Fund</b>		
Issue of Nil Units (2015 : 21,057 units)	-	-
Dividend paid	-	47

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



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

	December 19, 2016	June 30, 2016
<b>18.2 Amount outstanding as at period / year end</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration payable	343	548
Sales tax payable on management fee	45	77
Allocated expenses	131	55
Other payable	2,307	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	45	71
Sales tax payable on trustee fee	6	10
<b>MCB Bank Limited</b>		
Bank deposits	667,825	3,111
Term deposit receipts	-	160,000
Profit receivable	-	23,072
<b>D.G. Khan Cement Company Limited</b>		
Nil shares held (2016 : 32,000 Shares)	-	6,096
<b>Lalpir Power Limited</b>		
Nil shares held (2016 : 620,000 Shares)	-	13,454
<b>Pakgen Power Limited</b>		
Nil shares held (2016 : 537,000 Shares)	-	12,914
<b>Arif Habib Limited</b>		
Brokerage payable	53	88
<b>Next Capital Limited</b>		
Brokerage payable	-	-
<b>Next Capital Limited</b>		
Brokerage payable	65	52
<b>MCB Employees Pension Fund</b>		
Units held Nil (2016 : 530,199 Units held)	-	55,927
<b>Adamjee Insurance Company Limited Employees Provident Fund</b>		
Units held Nil (2016 : 106,040 Units held)	-	11,185
<b>Adamjee Life Assurance Company Limited Employees Gratuity Fund</b>		
Units held Nil (2016 : 21,509 Units held)	-	2,269

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

## 19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

19.1 Detail of members of the investment committee of the Fund as at December 19, 2016 are as follows:

	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	ACA & ACCA	18.5
2	Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	5.5
3	Mr. Muhammad Asim	Asset Class Specialist -Equities	MBA & CFA	13.5
4	Mr. Saad Ahmed	Asset Class Specialist - Fixed Income	MBA	11.5
5	Ms. Muhammad Aitazaz	Research Analyst	BBA & CFA	3

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

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

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

	December 19, 2016 (Percentage)
1 Arif Habib Limited	11.01
2 Next Capital Ltd	9.38
3 Foundation Securities Ltd	6.96
4 Habib Metro Financial Services	6.70
5 Insight Securities Limited	6.68
6 Al Falah Securities Pvt Ltd	5.95
7 Fortune Securities Limited	5.47
8 Global Securities Pakistan Ltd	5.16
9 Elixir Securities Pakistan Pvt Ltd	4.80
10 Shajar Capital Pakistan Pvt Ltd	4.69
	<b>June 30, 2016 (Percentage)</b>
1 Arif Habib Limited	14.27
2 Js Global Capital Limited	11.28
3 Next Capital Ltd	9.14
4 Top Line Securities Pvt Ltd	5.85
5 Nael Capital Pvt Ltd	4.66
6 Optimas Capital Management Pvt Ltd	4.65
7 Intermarket Securities Ltd	4.44
8 Habib Metro Financial Services	4.44
9 Al Habib Capital Markets Pvt Ltd	3.76
10 Invest And Finance Securities Ltd	3.49

## 21. PATTERN OF UNIT HOLDINGS

As at December 19, 2016				
Category	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	269	3,299,470	348,849	52.87
Associated companies / directors	3	680,279	71,925	10.90
Retirement Funds	1	43,563	4,606	0.70
Non Profit Organisations	2	60,132	6,358	0.96
Others	34	2,157,866	228,149	34.57
	309	6,241,310	659,887	100
As at June 30, 2016				
Category	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	291	3,465,104	365,509	54.92
Associated companies / directors	3	657,747	69,381	10.42
Retirement funds	32	1,760,339	185,686	27.90
Other companies	4	58,140	6,133	0.92
Others	3	368,175	38,836	5.84
	333	6,309,505	665,545	100

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

### 22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the period under audit 126th, 127th, 128th and 129th Board meetings were held on July 12, 2016, August 05, 2016, August 15, 2016 and October 21, 2016 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Directors Attending the Meetings	Designation	Number of Meetings				Meetings not Attended
		No. of Meetings Held	Attendance Required	Attended	Leave Granted	
Mr. Mian Mohammad Mansha	Chairman	4	4	1	3	126th, 128th, 129th
Mr. Nasim Beg	Director	4	4	3	1	127th
Dr. Syed Salman Ali Shah	Director	4	4	3	1	126th
Mr. Ahmed Jahangir	Director	4	4	4	-	-
Mr. Haroun Rashid	Director / Chairman Audit Committee	4	4	1	3	126th, 127th, 128th
Mr. Mirza Mehmood Ahmed	Director	4	4	1	3	126th, 127th, 128th
Mr. Samad A. Habib	Director	4	4	2	2	126th, 127th,
Mr. Muhammad Saqib Saleem	Chief Executive Officer	4	4	4	-	-

### 23. FINANCIAL RISK MANAGEMENT

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

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

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

As on December 19, 2016 the fund is not exposed to financial risks as it does not hold any investments as on that date. The fund was capital protected collective investment with a tenure of 2 years which expired on December 19, 2016 as explained in note 1.4 above and is in the process of liquidation. The disclosures related financial risk exposure and risk management policies are limited to the extent of exposure of the fund as on December 19, 2016. For comparative disclosure please refer the financial statements of the fund for the year ended June 30, 2016.

#### 23.1 Market risk

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

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

##### 23.1.1 Currency risk

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

##### 23.1.2 Interest rate risk

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

### 23.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk). As on December 19, 2016, the fund is not exposed to price rate risk as all the securities subject to price risk have been sold before the period end.

### 23.2 Credit risk

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

#### Balances with banks

Credit risk from balances with banks is managed in accordance with the Fund's policy and the funds are kept only with bank having sufficiently high credit ratings. As at period end all the bank balances were kept with a bank having a long term and short term credit ratings of AAA and A1+ respectively.

#### Security deposits

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities which will be received in due course, hence management believes that the Fund is not exposed to a credit risk with respect to such parties.

### 23.3 Liquidity risk

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

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

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

As at December 19, 2016, all financial liabilities of the fund have a contractual maturity of upto 3 months.

### 23.4 Financial instruments by category

	December 19, 2016	
	Loans and receivables	Total
	----- Rupees in '000 -----	
<b>Financial Assets</b>		
Balances with banks	667,825	667,825
Security deposits	2,600	2,600
	<u>670,425</u>	<u>670,425</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED DECEMBER 19, 2016**

	December 19, 2016		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Financial Liabilities</b>			
Payable to Management Company	-	519	519
Payable to Central Depository Company of Pakistan Limited - Trustee	-	51	51
Accrued expenses and other liabilities	-	1,267	1,267
	-	1,837	1,837

	June 30, 2016		
	Loans and receivables	Available for sale investments	Total
	----- Rupees in '000 -----		
<b>Financial Assets</b>			
Balances with banks	288,274	-	288,274
Investments	160,000	203,233	363,233
Dividend and profit receivable	23,893	-	23,893
Security deposits	2,600		2,600
	474,767	203,233	678,000

	June 30, 2016		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- Rupees in '000 -----		
<b>Financial Liabilities</b>			
Payable to Management Company	-	679	679
Payable to Central Depository Company of Pakistan Limited - Trustee	-	81	81
Accrued expenses and other liabilities	-	1,289	1,289
	-	2,049	2,049

**23.5 Fair value of financial instruments**

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

The fund has not disclosed the fair values of its financial assets and liabilities as their carrying amounts are reasonable approximation of their fair values.

**24. Expense Ratio**

The expense ratio of the fund from July 01, 2016 to December 19, 2016 is 1.24%, the total expense ratio includes 0.104% representing government levy and SECP fee.



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED DECEMBER 19, 2016

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### 25 UNIT HOLDERS' FUND RISK MANAGEMENT

As disclosed in note 1.4 to these financial statements the fund is in the process of liquidation and subsequent to the period end the fund has redeemed all of its units and disbursed the redemption proceeds to the unitholders.

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

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

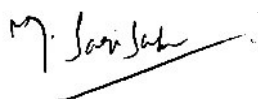
The Fund's objective in managing the unit holders' fund was to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments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

### 26. GENERAL

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

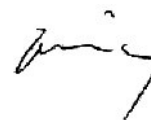
### 27. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on February 02, 2017 by the Board of Directors of the Management Company.



Chief Executive Officer

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










Director



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