



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT | 2017

Annual Report for Funds Under Management of
MCB-Arif Habib Savings and Investments Limited



PAKISTAN INCOME FUND

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FUND'S INFORMATION

Board of Directors	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 Qamar Beg	Chairman Vise Chairman Director Chief Executive Officer Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. 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	
Bankers	MCB Bank Limited Allied Bank Limited Habib Metropolitan Bank Limited Bank Al-Habib Limited Bank Al Falah Limited NIB Bank Limited Faysal Bank Limited Zarai Taraqati Bank Limited JS Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited United Bank Limited Habib Bank Limited Finca Micro Finance Bank Limited	
Auditors	A.F. Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Registered Office	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, O Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi - 74900	
Rating	Asset Manager: "AM2++" (PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA)	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Income Fund** accounts review for the year ended June 30, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy achieved its decade high growth of 5.28% in FY17 which though missed the target of 5.7% but still reflects progressive movement from stabilization phase to growth trajectory. Agriculture sector remained the main stay, posting a growth of 3.50% compared to a modest of 0.26% a year back. This was well supported by Services with 6% YoY growth. On the industrial front, large scale manufacturing sector recorded growth of 5.7% for 11MFY17 with major contribution coming from consumer, construction and power segment. Auto sector recorded double digits growth as demand continued to grow and new models were introduced by local OEMs. CPEC related and other infrastructure investment continued to provide boom to construction related industries including steel and cement.

On the external front, a 17.7% rise in imports and 1.4% drop in exports widened the trade deficit to USD 26.9 billion in FY17 compared to USD 19.3 billion a year back. Major contribution in imports came from Petroleum products, which posted an increase of 21% to USD 10.6 billion, followed by Food (15% YoY rise) and Machinery (10% YoY rise). Increase in oil prices, LNG imports to fill the natural gas deficit, fast growing demand of consumer products and capital goods import for various projects guided the import bill to USD 48.5 billion in FY17.

Remittance marginally declined during FY17 to USD 19.30 billion, ~3.08% lower than last year, where major reasons can be attributed to employment situation in Middle East and slower than expected global recovery.

The above two factors (declining remittance and rising CA deficit) have started to put pressure on FX reserves, wiping out ~USD 1.72 billion since July 1, 2016 to end the year at USD 21.368 billion.

Despite a 19% YoY increase in average Arab Light prices, CPI remained subdued, posting a 4.15% YoY rise in FY17. This was mainly on account of benign growth in Food, transportation and house rent.

The government managed to contain the fiscal deficit at 4.2%, moderately higher than the set target of 3.8%. Total expenditure and total revenue both advanced by 12%YoY while fiscal balance hiked by 11%YoY. The government has set a fiscal deficit target of 4.1% in FY18.

Along with CA deficit, another point of concern is rising fiscal deficit and public and private debt to finance these increasing gaps. Pakistan's total debt stood at ~PKR 23.95 trillion (till March, 2017) reflecting an increase of ~PKR 2.33 trillion over a year.

State Bank of Pakistan in its latest monetary policy review for next two months maintained the policy rate at 5.75% for the seventh consecutive time. The policy committee remains positive based on future expected inflows due to CPEC and other projects which have kept the rupee relatively stable during the year. Ongoing political uncertainty also temporarily reflected in currency markets where on a single day, a temporary relaxation from SBP turned into a sharp depreciation of near 4% which however recovered in the following days as Finance Minister clarified and expressed the firm resolve to fight any speculative movement.

BOP deficits have caused Net Foreign Asset of the banking system to shrink from PKR 1.0 trillion at the end of FY16 to PKR 601 billion only at the end of FY17. M2 growth remains elevated (+13.7% Y/Y) owing to the government running large budget deficits, which has also led to Net Domestic Asset of the banking system to grow by 18.3% YoY. The government relied on SBP for funding with borrowings of PKR 908 billion leaving local banks with substantial liquidity. In second half of FY17, Yield Curve has remained flat; whereas liquidity was adequately managed by SBP.

Shariah Instruments market remained thinly supplied as State Bank of Pakistan conducted a sole Ijara Sukuk auction in FY17 based on fixed rate rental arrangement offering yields of 5.24% and borrowing PKR 71 billion against the maturing Ijara Sukuk of PKR 50 billion evidencing a scarcity of avenues for Islamic investments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.9% as against its benchmark return of 6.05%. At period end, the fund was 16.2% in TFCs, 0.5% in PIBs, 68.6% in Cash, 8.6% in TDRs and 2.8% in T-Bills. Weighted average maturity of the fund decreased to 1 year at period end compared to 2.3 years at June, 2016 end as per anticipation of interest rate outlook which is considered to be bottomed out during the period.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 1,722 million as compared to Rs. 1,050 million as at June 30, 2016 registering an increase of 64%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 53.7626 as compared to opening NAV of Rs. 53.6062 per unit as at June 30, 2016 registering an increase of Rs. 0.1564 per unit.

FUTURE OUTLOOK

The windfall gains that emerged in past couple of years had been a byproduct of subdued oil prices, which painted a rosy picture on external account, CPI, discount rate and even fiscal account in terms of less burden in terms of subsidies. Though international commodity outlook still appear bearish but rising current account deficit is posing a challenging scenario going ahead.

The trade imbalance of USD 27 billion in FY17 could deteriorate further with machinery imports under CPEC and several local capital projects are expected to lead the import bill. Exports on the other hand, are expected to remain under pressure given muted response of government towards the rebates under the textile package and government's resilience to support Pakistani rupee through foreign exchange reserves. With widening trade deficit and little help from remittances, we expect next year current account deficit to reach near USD 15 billion (~4% of GDP) still far from what we have seen in our last balance of payment crisis, which dragged CAD to ~USD 14 billion (8% of GDP) back in 2008. However widening CAD coupled with interest repayment may create a financing need of USD 18-19bn in FY18, which points towards strong possibility of PKR depreciation.

The Consumer Price Index (CPI) is expected to remain well anchored in FY18. We expect inflation to average around 4.5% in FY18. Currency devaluation and commodity prices though pose risk to estimates, low CPI reading next year is expected to prevent need for near term significant monetary tightening.

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth.

The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

Themes of currency depreciation, interest rate rise and economic growth are expected to set the investment tone in the coming fiscal year. Sectors positively linked with currency weakness are expected to garner lime light namely, Commercial Banks, Exploration & Production and Power sector. Select growth plays in Power, Steel, Construction and Consumer space are also expected to add positive contributions to market performance.

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With three (3) independent Directors on the Board, as governing body of the Management Company the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- k. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below are the details of committee meetings held during the year ended June 30, 2017:

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

1. Meeting of the Audit Committee.

During the year, six (6) meetings of the Audit Committee were held. The attendance of each participant is as follows:

S. No.	Name of Persons	Number of meetings held	Number of meetings		
			Attendance required	Attended	Leave granted
1	Mr. Haroun Rashid	6	6	3	3
2	Mr. Samad A. Habib	6	4	3	1
3	Mr. Ahmed Jahangir	6	6	6	-
4	Mr. Nasim Beg	6	6	6	-
5	Mirza Qamar Beg	6	2	2	-

2. Meeting of the Human Resource and Remuneration Committee.

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

S. No.	Name of Persons	Number of meetings	Number of meetings		
			Attendance required	Attended	Leave granted
1	Dr. Syed Salman Shah	4	4	4	-
2	Mr. Nasim Beg	4	4	4	-
3	Mr. Ahmed Jahangir	4	4	4	-
4	Mr. Haroun Rashid	4	4	3	1
5	Mr. Muhammad Saqib Saleem	4	4	4	-

- n. The trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	-	-	-
2	Muhammad Asif Mehdi Rizvi	Chief Operating Officer	99,181	-	-
3	Abdul Basit	Chief Financial Officer and Company Secretary	-	-	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

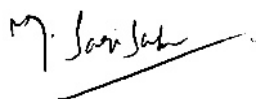
External Auditors

The fund's external auditors, **A.F.Ferguson & Co. Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2018. The audit committee of the Board has recommended reappointment of **A.F.Ferguson & Co. Chartered Accountants** as auditors of the fund for the year ending June 30, 2018.

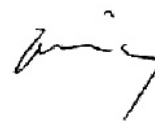
ACKNOWLEDGMENT

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.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: August 4, 2017



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس' نے 30 جون 2018ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے کے لئے رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018ء کو ختم ہونے والے سال کے لئے 'اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
04 اگست 2017ء

ڈائریکٹرز رپورٹ

آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی چھ (06) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
3	3	6	6	1. جناب ہارون رشید
1	3	4	6	2. جناب صمد اے حبیب
-	6	6	6	3. جناب احمد جہانگیر
-	6	6	6	4. جناب نسیم بیگ
-	2	2	6	5. مرزا قمر بیگ

ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	4	4	4	1. جناب سید سلمان شاہ
-	4	4	4	2. جناب نسیم بیگ
-	4	4	4	3. جناب احمد جہانگیر
1	3	4	4	4. جناب ہارون رشید
-	4	4	4	5. جناب محمد ثاقب سلیم

دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شوہر/کی بیوی اور نابالغ بچوں نے فنڈ کے یونٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	رڈیمپشن	ڈیویڈنڈ کی تقسیم
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	-	-
2.	محمد آصف مہدی رضوی	چیف آپریٹنگ آفیسر	99,181	-	-
3.	عبدالباسط	چیف فنانشل آفیسر اور کمپنی سیکرٹری	-	-	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

ڈائریکٹر رپورٹ

مختصر المیعاد مارکیٹ کے حالات مزید بگڑ سکتے ہیں کیونکہ یہ اگلے انتخابات میں معلق پارلیمنٹ کے امکانات کا اشارہ ہوگا۔

روپے کی قدر میں کمی، انٹریسٹ کی شرح میں اضافہ اور معاشی ترقی کا آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبے مثلاً کمرشل بینک، ایکسپلوریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شدہ سرخیوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفی شعبوں میں ترقیاتی عمل متوقع طور پر مارکیٹ کی کارکردگی میں مثبت کردار ادا کرے گا۔

ہم اُمید کرتے ہیں کہ آنے والے مہینوں میں اُصول سیاسی شور پر غالب ہوں گے، کیونکہ ہماری مارکیٹ 9x کے PER پر تجارت کر رہی ہے (جو ابھرتی ہوئی مارکیٹس کو 30 فیصد ڈسکاؤنٹ ہے) جس سے شرحوں کے دوبارہ تعین کے لئے حالات سازگار ہوں گے۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں مقررہ آمدنی کے منافعوں کو پست رکھے ہوئے ہیں، جس سے ایکویٹی مارکیٹ کی طرف مزید لیکویڈیٹی مائل ہو رہی ہے۔ KSE-100 انڈیکس میں فی الوقت ایکویٹی کے خطرات کے 3 فیصد پر پیمائش پر تجارت ہو رہی ہے اور 5.5 فیصد لویڈڈ فراہم ہوتا ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے۔ بورڈ میں تین (3) خود مختار ڈائریکٹرز ہیں، اور منجمنٹ کمپنی کی گورنگ باڈی کے طور پر بورڈ عہدہ کارپوریٹ گورننس کے لئے پونٹ ہولڈرز کو جابہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق میں متعین کردہ بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو تفصیل واضح کیا گیا ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی نکات واضح کیے جا رہے ہیں:

مالیاتی گوشوارے فنڈ کے معاملات کی صورت حال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

فنڈ کی دُرست گلکس آف اکاؤنٹس تیار کی گئی ہیں۔

مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non- بینکنگ فنانس کمپنیز (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non- بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔
واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
پراویڈنٹ فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ مینجمنٹ کمپنی کی ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

تمام ڈائریکٹرز ڈائریکٹر ٹریننگ پروگرام کو رس مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔
این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔
بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی
کمپنی میٹنگز کی تفصیلات درج ذیل ہیں:

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دوسری ششماہی میں پیداواری خم سیدھا رہا، جبکہ اسٹیٹ بینک آف پاکستان نے لکویڈٹی کا انتظام خاطر خواہ حد تک چلایا۔ مارکیٹ میں شریعہ انسٹرمنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.9 فیصد تھا جبکہ مقررہ معیار 6.05 فیصد تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری ٹرم فنڈس سرٹیفکیٹس میں 16.2 فیصد، پاکستان انویسٹمنٹ بانڈز میں 0.5 فیصد، نقد میں 68.6 فیصد، TDRs میں 8.6 فیصد اور ٹیلیفون بلز میں 2.8 فیصد تھی۔ فنڈ کی weighted average میچورٹی کم ہو کر اختتام مدت پر 1 سال ہو گئی، جبکہ جون 2016ء کو 2.3 سال تھی، جو انٹریسٹ کی شرح کی صورتحال کی پیش بندی کے مطابق تھی جو دوران مدت پست ترین سطح تک پہنچ گیا۔ 30 جون 2017ء کو فنڈ کے net اثاثہ جات 1,722 ملین روپے تھے، جو 30 جون 2016ء کو 1,050 ملین روپے کے مقابلے میں 64 فیصد اضافہ ہے۔ 30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 53.7626 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 53.6062 روپے فی یونٹ کے مقابلے میں 0.1564 روپے فی یونٹ اضافہ ہے۔

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خیر منافع جات تیل کی قیمتوں میں کمی کے ثمرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور حتیٰ کہ مالیاتی اکاؤنٹ کی بھی صورتحال سبسڈیز کے بوجھ میں کمی کے اعتبار سے بہتر ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پر نظر آ رہی ہیں۔ مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کمپنیوں کے منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل کچک کے تحت ری بیس کے حوالے سے حکومت کی خاموشی اور زر مبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی لچک کے باعث برآمدات متوقع طور پر دباؤ میں رہیں گی۔ بڑھتے ہوئے تجارتی خسارے اور ترسیلات زر کی کمزور صورتحال کی بنیاد پر ہم اگلے سال کرنٹ اکاؤنٹ کے خسارے کو 15 بلین ڈالر (مجموعی ملکی پیداوار کا 4 فیصد) تک پہنچتا دیکھ رہے ہیں، جو 2008ء میں ادائیگیوں کے توازن کے بحران میں پیدا ہونے والے حالات سے اب بھی بہت دور ہے، جب کرنٹ اکاؤنٹ کا خسارہ 14 بلین ڈالر (مجموعی ملکی پیداوار کا 8 فیصد) تک پہنچ گیا تھا۔ تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے کے ساتھ ساتھ انٹریسٹ کی ادائیگی کے باعث مالی سال 2018ء میں 18-19 بلین ڈالر کی مالیت کی فراہمی کی ضرورت پیدا ہو سکتی ہے، جس کے باعث پاکستانی روپے کی قدر میں کمی کا واضح امکان ہے۔

کنزیومر پرائس انڈیکس (CPI) مالی سال 2018ء میں مناسب حد تک قابو میں رہے گا۔ ہمارے اندازے کے مطابق مالی سال 2018ء میں افراط زر کا اوسط 4.5 فیصد ہوگا۔ اگرچہ روپے کی قدر میں کمی اور اشیاء کی قیمتوں کے باعث تخمینوں کو خطرات لاحق ہیں، لیکن توقع ہے کہ اگلے سال CPI کی پست سطح کے سبب مدت قریب میں مالیاتی تنگی کی ضرورت نہیں پڑے گی۔

انٹریسٹ کی پست شرح کے ماحول کے ساتھ ساتھ CPEC سے منسلک منصوبوں کی بنیاد پر حکومت کا مجموعی ملکی پیداوار کا 6 فیصد ہدف زیادہ بلند نہیں معلوم ہوتا، اگر خارجی اکاؤنٹ کا جھکا اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اتار نہ دے۔

ایکویٹی مارکیٹ پانا نامہ مسئلے کے نتیجے کی بنیاد پر اپنا اگلا قدم طے کرنے کے لئے تیار ہے۔ مارکیٹ اپنے عروج سے تقریباً 13 فیصد زوال کے بعد بظاہر وزیراعظم ہاؤس میں تبدیلی کے خطرے کے حوالے سے احتیاطی تدابیر اختیار کر چکی ہے، تاہم عدالتی فیصلے کے نتیجے میں پی ایم ایل (این) کا شیرازہ بکھرنے اور وزیر خزانہ کی نااہلیت سے

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عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان انکم فنڈ کے 30 جون 2017ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2017ء میں پاکستان کی معیشت نے 5.28 فیصد ترقی کی جو گزشتہ دس سالوں میں سب سے زیادہ ترقی ہے۔ اگرچہ 5.7 فیصد کا ہدف حاصل نہ ہو سکا لیکن اس کے باوجود استحکام کے مرحلے سے ترقی کی بلند شرح کی طرف سفر خوش آئند ہے۔ زرعی شعبہ سب سے آگے رہا جس نے ایک سال قبل 0.26 فیصد ترقی کی تھی جبکہ اس سال 3.5 فیصد ترقی کی۔ اس کی معاونت سروسز نے 6 فیصد YoY ترقی کے ساتھ کی۔ صنعتی رُخ پر بڑے پیمانے کے مینوفیکچرنگ شعبے نے 11MFY17 میں 5.7 فیصد ترقی کی، اور اس میں اہم ترین کردار صارفی، تعمیراتی اور توانائی کے شعبوں نے ادا کیا۔ گاڑیوں کے شعبے نے دو عدد پر مشتمل ترقی کی؛ اس شعبے میں مانگ بڑھتی رہی اور مقامی OEMs نے نئے ماڈل متعارف کرائے۔ CPEC سے منسلک اور دیگر انفراسٹرکچر کی سرمایہ کاری کی بدولت تعمیرات سے منسلک صنعتوں مثلاً اسٹیل اور سیمنٹ کو قوت فراہم ہونے کا عمل جاری رہا۔

خارجی رُخ پر درآمدات میں 17.7 فیصد اضافے اور برآمدات میں 1.4 فیصد کمی کے باعث تجارتی خسارہ وسیع ہو کر مالی سال 2017ء میں 26.9 بلین ڈالر ہو گیا جبکہ ایک سال قبل 19.3 بلین ڈالر تھا۔ درآمدات میں اہم ترین کردار پٹرولیم مصنوعات نے 10.6 بلین ڈالر یعنی 21 فیصد زیادہ ترقی کی صورت میں ادا کیا۔ دوسرے نمبر پر خوراک (15 فیصد YoY اضافہ) اور مشینری (10 فیصد YoY اضافہ) کے شعبے رہے۔ تیل کی قیمتوں میں اضافے، گیس کی کمی کو پورا کرنے کے لئے ایل این جی کی درآمدات، صارفی مصنوعات کی مانگ میں تیزی سے بڑھتے ہوئے اضافے، اور مختلف منصوبوں کے لئے کپٹیل اشیاء کی درآمد کے باعث مالی سال 2017ء میں درآمدات کا بل 48.5 بلین ڈالر تک پہنچ گیا۔

مالی سال 2017ء میں ترسیل زر گزشتہ سال کے مقابلے میں 3.08 فیصد کمی کا شکار ہو کر 19.3 بلین ڈالر ہو گئیں، اور اس کے اہم ترین اسباب مشرق وسطیٰ میں روزگار کی صورتحال اور عالمی سطح پر متوقع سے کم حصولیات ہیں۔

مندرجہ بالا دو اسباب (ترسیل زر میں کمی اور CA خسارے میں اضافے) کے نتیجے میں غیر زرمبادلہ کے ذخائر پر دباؤ بڑھ رہا ہے، جو زیر جائزہ سال کے اختتام پر 21.368 بلین ڈالر تھے، اور یہ یکم جولائی 2016ء سے تاحال 1.72 بلین ڈالر کمی ہے۔

عرب لائٹ کی اوسط قیمتوں میں 19 فیصد YoY اضافے کے باوجود CPI کی سطح پست رہی اور اس میں مالی سال 2017ء کے دوران 4.15 فیصد اضافہ ہوا، جس کی سب سے بڑی وجہ خوراک، نقل و حمل اور رہائشی کرائے کے شعبوں میں قابل ذکر ترقی ہے۔

حکومت مالیاتی خسارے کو 4.2 فیصد پر برقرار رکھ سکی جو متعین شدہ ہدف 3.8 فیصد سے تھوڑا زیادہ ہے۔ مجموعی اخراجات اور مجموعی آمدنی، دونوں میں 12 فیصد YoY اضافہ ہوا جبکہ مالیاتی توازن میں 11 فیصد YoY اضافہ ہوا۔ حکومت نے مالی سال 2018ء کے لئے مالیاتی خسارے کا ہدف 4.1 فیصد متعین کیا ہے۔ CA خسارے کے علاوہ ایک اور تشویشناک امر تجارتی خسارے میں اضافہ، اور اس بڑھتے ہوئے فرق کو پُر کرنے کے لئے مالیات فراہم کرنے کے لئے پبلک اور پرائیویٹ قرضہ جات میں اضافہ ہے۔ مارچ 2017ء تک پاکستان مجموعی طور پر 23.95 ٹریلین روپے کا قرض دار تھا، جو ایک سال کے دوران 2.33 ٹریلین روپے کا اضافہ ہے۔

اسٹیٹ بینک آف پاکستان نے اپنے تازہ ترین مالیاتی پالیسی کے جائزے برائے اگلے دو ماہ میں پالیسی کی شرح کو متواتر ساتویں مرتبہ 5.75 فیصد برقرار رکھا ہے۔ پالیسی کمیٹی کی بدستور مثبت خیالی کی بنیاد CPEC اور دیگر منصوبے ہیں جن کی بدولت دوران سال روپیہ نسبتاً مستحکم رہا اور ان کے ذریعے مستقبل میں آمدات متوقع ہیں۔ بازار زر میں موجودہ غیر یقینی سیاسی صورتحال کی بھی عکاسی ہوئی، جہاں اسٹیٹ بینک آف پاکستان کی فراہم کردہ ایک عارضی چھوٹ کے نتیجے میں ایک دن میں تقریباً 4 فیصد کمی ہوئی۔ تاہم بعد ازاں وزیر خزانہ کی پیش کردہ صفائی اور قیاسی کارروائیوں سے جنگ کے بھرپور عزم کے اظہار کے نتیجے میں صورتحال بحال ہو گئی۔

ادائیگیوں کے توازن کے خسارہ جات کے باعث بینکاری کے نظام کے Net غیر ملکی اثاثہ جات سکڑ گئے۔ مالی سال 2016ء کے اختتام پر 1.0 ٹریلین روپے تھے جبکہ مالی سال 2017ء کے اختتام پر صرف 601 بلین روپے رہ گئے۔ حکومت کے خطرہ بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی (13.7% YoY) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک آف پاکستان پر انحصار کرتے ہوئے 908 بلین روپے قرض حاصل کیا جس کے نتیجے میں مقامی بینکوں کو خاطر خواہ لکویڈٹی فراہم ہوئی۔ مالی سال 2017ء کی

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Fund Type and Category

Pakistan Income Fund— (PIF) is an open end mutual fund and comes under income scheme. The fund primarily invests in money market and other short term instruments which includes short term corporate debt and government securities. The fund may also invest in medium term assets in order to provide higher returns to unit holders.

Fund Benchmark

The benchmark for the fund is Six(6) months KIBOR rates.

Investment Objective

The objective of the Fund is to deliver returns primarily from debt and fixed income investments without taking excessive risk.

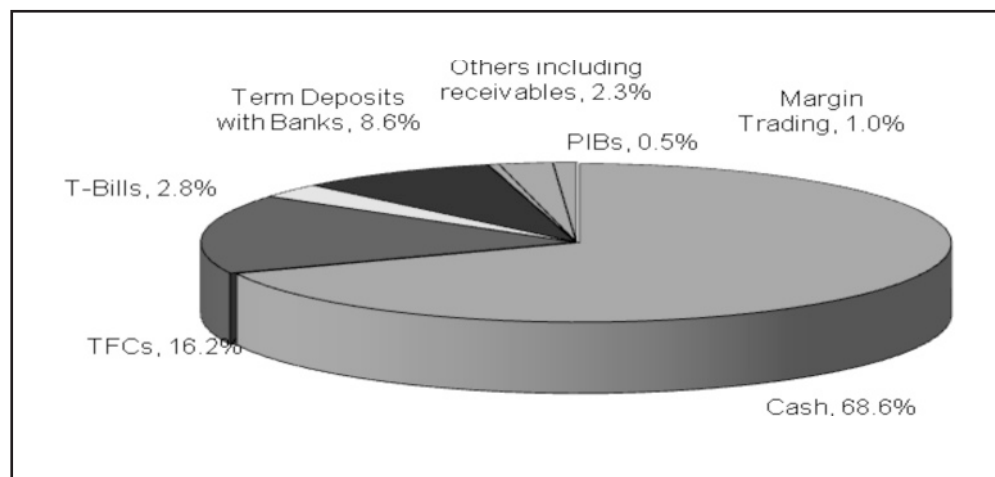
Manager's Review

During the period under review, the fund generated an annualized return of 6.9% as against its benchmark return of 6.05% outperforming the benchmark by 0.9%. At period-end, the fund was invested 68.6% in Cash and 16.2% in TFCs.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 1722 million as compared to Rs 1050 million as at June 30, 2016 registering an increase of 64%.

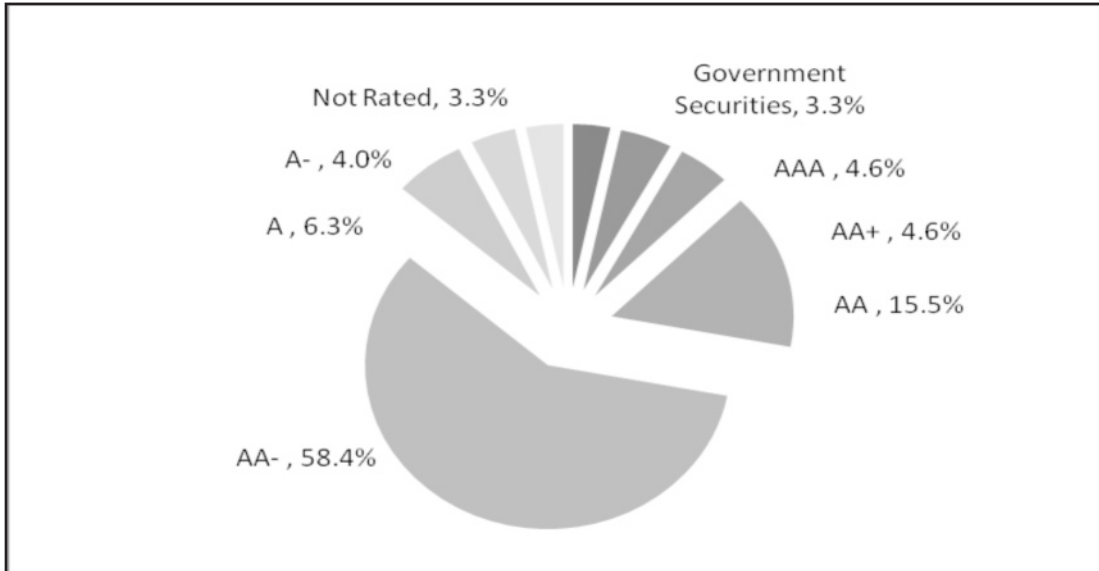
The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 53.7626 as compared to opening NAV of Rs. 53.6062 per unit as at June 30, 2016.

Asset Allocation as on June 30, 2017 (% of total assets)



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Asset Quality as of June 30, 2017 (% of total assets)



Usama Iqbal
Fund Manager

Karachi: August 04, 2017

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

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




TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 in accordance with the provisions of the following:

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


Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 08, 2017



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Income Fund to comply with the Code of Corporate Governance (the code) contained in regulation # 5.19 of chapter 5 of the Rule Book of the 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.

The company has applied the principles contained in the Code in the following manner:

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

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

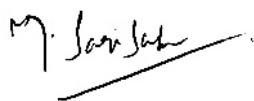
The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Company.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. Out of the total eight meetings only one meeting of the Board was presided over by the chairman which was held on August 5, 2016. Five meetings were presided over by Mr. Nasim Beg and two meetings were presided by Dr. Syed Salman Ali Shah duly elected by the board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, one director Mr. Mirza Qamar Beg was included on the Board of Directors and is complied with the Director's Training Programme. All remaining directors on the board already possess the required training or are exempt on the basis of specified qualification and experience as required by the Code.
10. Company Secretary and Head of Internal Audit continued their services and there was no change in these positions during the year. The Chief Financial Officer was appointed during the year on February 02, 2017 and the board has approved the remuneration and terms and conditions of the employment of the CFO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

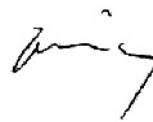
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee who is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and one is executive Director and the chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function, the members of which are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) 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 IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done in the board meeting held on August 04, 2017.
24. The 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.
25. 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: August 04, 2017



Nasim Beg
Director / Vice Chairman

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



A.F. FERGUSON & CO.

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 and Investments Limited, the Management Company of **Pakistan Income Fund** (the Fund) for the year ended June 30, 2017 to comply with the requirements of regulation no. 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited where the Fund is listed.

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

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

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval of the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board 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 Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2017.


Chartered Accountants

Dated: September 12, 2017

Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

■ KARACHI ■ LAHORE ■ ISLAMABAD

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017



A.F. FERGUSON & CO.

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Income Fund** (hereinafter referred to as the 'Fund'), which comprise the statement of assets and liabilities as at June 30, 2017, and the related income statement, statement of comprehensive income, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

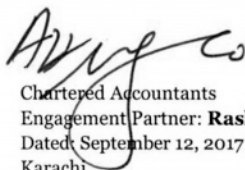
In our opinion, the financial statements give a true and fair view of the state of the financial position of the Fund as at June 30, 2017 and of its financial performance, its cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

The financial statements of the Fund for the year ended June 30, 2016 were audited by another firm of Chartered Accountants who had expressed an unmodified opinion on those financial statements vide their report dated August 05, 2016.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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


Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 12, 2017
Karachi

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan
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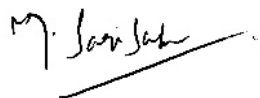
STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
ASSETS			
Bank balances	4	1,194,719	286,385
Investments	5	488,911	781,941
Profit receivable	6	12,268	18,115
Advances, deposits, prepayments and other receivables	7	45,526	8,373
Total Assets		<u>1,741,424</u>	<u>1,094,814</u>
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	2,471	1,673
Payable to Central Depository Company of Pakistan Limited - Trustee	9	209	169
Payable to the Securities and Exchange Commission of Pakistan	10	919	909
Payable against redemption of units		313	47
Accrued expenses and other liabilities	11	15,551	41,718
Total liabilities		<u>19,463</u>	<u>44,516</u>
NET ASSETS		<u>1,721,961</u>	<u>1,050,298</u>
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		<u>1,721,961</u>	<u>1,050,298</u>
CONTINGENCIES AND COMMITMENTS	12		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		<u>32,028,956</u>	<u>19,592,850</u>
		(Rupees)	
NET ASSET VALUE PER UNIT		<u>53.7626</u>	<u>53.6062</u>
FACE VALUE PER UNIT		<u>50.0000</u>	<u>50.0000</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

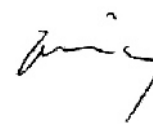
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



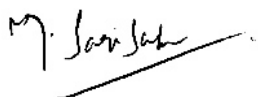
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

INCOME	Note	2017 (Rupees in '000)	2016
Loss on sale of investments - net		(13,848)	(64)
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	5.3	1,658	1,650
Profit / mark-up on:			
- Government securities		14,541	63,431
- term finance certificates		24,115	25,232
- term deposit receipts		7,507	-
- bank balances		32,225	14,969
Income on spread transactions and margin trading system		16,536	-
Dividend Income		7,566	-
Reversal of provision against Workers' Welfare Fund	11.1	24,327	-
Other income		126	286
Total income		<u>114,753</u>	<u>105,504</u>
EXPENSES			
Remuneration of the Management Company	8.1	16,167	18,181
Sindh sales tax on remuneration of the Management Company	8.2	2,102	2,953
Federal excise duty on remuneration of the Management Company	11.2	-	2,909
Remuneration of the Trustee	9.1	1,891	1,880
Sindh sales tax on remuneration of the Trustee	9.2	246	263
Annual fee to Securities and Exchange Commission of Pakistan	10.1	919	909
Allocated expenses and related taxes	8.3	1,384	818
Brokerage expense		1,998	-
Legal, professional and other charges		891	104
Settlement and bank charges		1,480	604
Fees and subscription		605	322
Auditors' remuneration	13	545	677
Provision against Sindh Workers' Welfare Fund	11.1	2,836	-
Provision against non-performing investments - net	5.1.2	3,398	3,398
Printing and related costs		213	211
Total expenses		<u>34,675</u>	<u>33,229</u>
Net income for the year before element of loss and capital losses included in prices of units issued less those in units redeemed - net		<u>80,078</u>	<u>72,275</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		100	(498)
- arising from other income		(12,581)	(12,098)
		<u>(12,481)</u>	<u>(12,596)</u>
Net income for the year before taxation		<u>67,597</u>	<u>59,679</u>
Taxation	15	-	-
Net income for the year after taxation		<u>67,597</u>	<u>59,679</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

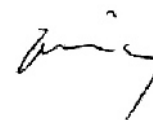
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



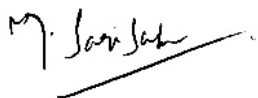
Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 (Rupees in '000)	2016
Net income for the year after taxation	67,597	59,679
Other comprehensive income for the year		
Items that are or may be reclassified subsequently to the income statement		
- Unrealised diminution on re-measurement of investments classified as available-for-sale'	(179)	(183)
- Unrealised diminution on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments	1,601	-
	1,422	(183)
Total comprehensive income for the year	<u>69,019</u>	<u>59,496</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

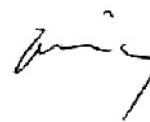
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



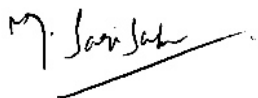
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017	2016
	(Rupees in '000)	
Undistributed income brought forward comprises of:		
- Realised gain	39,886	49,205
- Unrealised gain	32,449	24,660
Total undistributed income brought forward	<u>72,335</u>	<u>73,865</u>
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	46,097	(4,841)
Net income for the year after taxation	67,597	59,679
Final distribution at the rate of Rs 3.54 (2016: Rs 3.10) per unit for the year ended June 30, 2017 [Date of distribution: June 19, 2017 (2016: June 27, 2016)]	(65,255)	(56,368)
Undistributed income carried forward	<u><u>120,774</u></u>	<u><u>72,335</u></u>
Undistributed income carried forward comprises of:		
- Realised gain	116,258	39,886
- Unrealised gain	4,516	32,449
	<u><u>120,774</u></u>	<u><u>72,335</u></u>

The annexed notes 1 to 26 form an integral part of these financial statements.

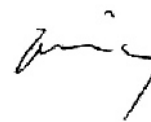
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



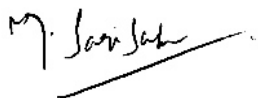
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	2017 (Rupees in '000)	2016
Net assets at beginning of the year	1,050,298	1,131,448
Issue of 47,382,999 units (2016: 13,513,361 units)	2,591,105	727,268
Redemption of 34,946,893 units (2016: 15,102,086 units)	(1,935,687)	(824,142)
	655,418	(96,874)
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net		
- transferred to the Income Statement		
- arising from realised / unrealised gains / (losses)	(100)	498
- arising from other income	12,581	12,098
- transferred to the Distribution Statement	(46,097)	4,841
	(33,616)	17,437
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to the Distribution Statement - net	46,097	(4,841)
Loss on sale of investments - net	(13,848)	(64)
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	1,658	1,650
Unrealised diminution on re-measurement of investments classified as available-for-sale	(179)	(183)
Unrealised diminution on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments	1,601	-
Other income (net of expenses)	79,787	58,093
Total comprehensive income for the year	69,019	59,496
Final distribution at the rate of Rs 3.54 (2016: Rs 3.10) per unit for the year ended June 30, 2017 [Date of distribution: June 19, 2017 (2016: June 27, 2016)]	(65,255)	(56,368)
Net assets at the end of the year	<u>1,721,961</u>	<u>1,050,298</u>
Net assets value per unit as at beginning of the year	<u>53.6062</u>	<u>53.4200</u>
Net assets value per unit as at end of the year	<u>53.7626</u>	<u>53.6062</u>

The annexed notes 1 to 26 form an integral part of these financial statements.

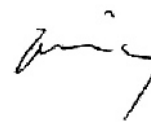
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



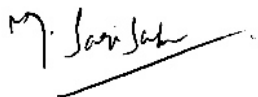
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year after taxation		67,597	59,679
Adjustments for:			
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net		(1,658)	(1,650)
Reversal of provision against Workers' Welfare Fund		(24,327)	-
Provision against Sindh Workers' Welfare Fund		2,836	-
Provision against non-performing investments - net		3,398	3,398
Element of loss and capital losses included in prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		(100)	498
- arising from other income		12,581	12,098
		60,327	74,023
Decrease / (increase) in assets			
Investments - net		442,712	141,070
Profit receivable		5,847	(2,183)
Advances, deposits, prepayments and other receivables		(37,153)	207
		411,406	139,094
Increase / (decrease) in liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		798	(290)
Payable to Central Depository Company of Pakistan Limited - Trustee		40	(5)
Payable to the Securities and Exchange Commission of Pakistan		10	115
Payable against redemption of units		266	-
Accrued expenses and other liabilities		(4,676)	28
		(3,562)	(152)
Net cash flows from operating activities		468,171	212,965
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received against issuance of units		2,591,105	727,268
Amount paid against redemption of units		(1,935,687)	(824,142)
Distributions paid during the year		(65,255)	(56,368)
Net cash flows from financing activities		590,163	(153,242)
Net increase in cash and cash equivalents during the year		1,058,334	59,723
Cash and cash equivalents at the beginning of the year		286,385	226,662
Cash and cash equivalents at the end of the year	16	1,344,719	286,385

The annexed notes 1 to 26 form an integral part of these financial statements.

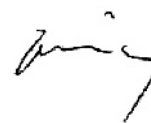
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1 LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Income Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now, MCB - Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

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.

The Fund is an open-ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange.

The Fund primarily invests in money market and other short-term instruments which include short-term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned a long-term rating of "AM2++" with a stable outlook (2016: AM2++) to the Management Company on June 23, 2017 while the Fund has been assigned a Fund stability rating of A+(f) (2016: A+(f)) on July 12, 2017.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) 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 Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new and amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2016 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

2.3.1 The following standards, amendments and interpretations with respect to approved accounting standards would be effective from the date mentioned below against the respective standards, amendments or interpretations:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or after)
- IFRS-9 Financial Instruments	January 1, 2018
- IFRS-15 Revenue from contracts with customers	January 1, 2018
- IFRS-16 Leases	January 1, 2019
2.3.2	The Companies Act, 2017 (the Act) has been enacted on May 30, 2017, superseding the Companies Ordinance, 1984. The Act does not impact the financial statements of the Fund for the year ended June 30, 2017.
2.3.3	The impact of standards, interpretations and amendments to published approved accounting standards that are not yet effective is yet to be determined by the Management Company of the Fund.
2.4	Critical accounting estimates and judgments
	The preparation of the financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.
	The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:
	- Classification and valuation of investments (note 3.2.1 and 5.1)
	- Impairment of financial assets (note 3.2.6)
	- Taxation (note 3.6 and 15)
2.5	Accounting convention
	These financial statements have been prepared under the historical cost convention, except for certain investments which are stated at fair value.
2.6	Functional and presentation currency
	Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.
3	SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
	The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.
3.1	Cash and cash equivalents
	Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.
3.2	Financial assets
3.2.1	Classification
	The Fund classifies its financial assets into the following categories: financial assets at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

3.2.2 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in fair value of derivative asset and derivatives with negative fair values (unrealised losses) are included in fair value of derivative liability in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

3.2.3 Regular way contracts

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

3.2.4 Initial recognition and measurement

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

3.2.5 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

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 and on sale of the financial assets '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 fair value adjustments recognised in other comprehensive income are included in the Income Statement.

Basis of valuation

- The fair value of investments in Government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the MUFAP website.
- Other debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in circular no. 1 of 2009 previously used). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

b) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortised cost using the effective interest method.

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.6 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.7 Derecognition

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

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognised at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

3.4 Offsetting of financial assets and liabilities

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

3.5 Provisions

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

3.6 Taxation

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

3.7 Dividend distribution and appropriations

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

Distributions declared including bonus units are recorded in the period in which they are approved. Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

3.8 Issue and redemption of units

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

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

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

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

The element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent that is represented by distributable income earned during the year is recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior periods is included in the distribution statement.

3.10 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as available for sale is included in other comprehensive income in the period in which it arises.
- Profit / mark-up on bank balances, term deposit receipts, debt and government securities is recognised on an accrual basis using the effective interest method.
- Dividend income is recognised when the right to receive the dividend is established.

3.12 Expenses

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis. Allocated expenses (note 8.3) are recognised at the rate of 0.1% per annum of the average annual net assets of the Fund.

3.13 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

5.1.2 Listed debt securities - term finance certificates	Note	2017 (Rupees in '000)	2016
Market value as at June 30	5.1.2.1	373,663	322,606
Less: Provision as at July 1			
- Pace Pakistan Limited		(46,542)	(43,144)
- Telecard Limited		(31,088)	(31,088)
- Trust Investment Bank Limited		(18,743)	(18,743)
		(96,373)	(92,975)
Less: Provision charged during the year against Pace Pakistan Limited			
- Reversal against carrying value matured		6,586	6,586
- Charge against face value receivable		(9,984)	(9,984)
		(3,398)	(3,398)
		<u>273,892</u>	<u>226,233</u>

5.1.2.1 Listed debt securities - term finance certificates (TFC)

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of certificates					Carrying value as at June 30, 2017*	Market value as at June 30, 2017	Unrealised appreciation / (diminution) as at June 30, 2017	Market value as a percentage of net assets**	Market value as a percentage of total investments**
	As at July 1, 2016	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2017					
----- (Rupees in '000) -----										
Commercial Banks									%	%
Askari Bank Limited (23-12-11 issue)***	37	-	-	-	37	37,472	37,472	-	2.18%	7.66%
Bank Alfalah Limited (20-02-13 issue)	13,381	-	-	-	13,381	68,236	68,704	468	3.99%	14.05%
Askari Bank Limited (30-09-14 issue)	5,000	-	-	-	5,000	25,475	25,473	(2)	1.48%	5.21%
Habib Bank Limited (19-02-16 issue)***	500	-	-	-	500	49,987	50,105	118	2.91%	10.25%
Bank AL Habib Limited (17-03-16 issue)	9,000	-	-	-	9,000	44,971	45,678	707	2.65%	9.34%
Chemical										
Ghani Gases Limited (03-02-17 issue)	-	480	-	-	480	46,000	46,460	460	2.70%	9.50%
Investment Banks / Investment Companies / Securities Companies										
Trust Investment Bank Limited (04-07-08 issue)										
- Due but not received	-	-	-	-	-	18,743	18,743	-	-	-
Technology and Communication										
Telecard Limited (27-05-05 issue)										
- Due but not received	-	-	-	-	-	31,088	31,088	-	-	-
Miscellaneous										
Pace Pakistan Limited (15-02-08 issue)										
- Due but not received	10,000	-	-	10,000	-	49,940	49,940	-	-	-
Total as at June 30, 2017	37,918	480	-	10,000	28,398	371,912	373,663	1,751	15.91%	56.01%
Total as at June 30, 2016	23,423	14,500	-	5	37,918	320,736	322,606	1,870	18.01%	24.14%

* Carrying value before provision - Provision details are specified in note 5.1.2

** Market value after provision - Provision details are specified in note 5.1.2

*** These certificates have a face value of Rs. 1 million and Rs. 1 hundred thousand respectively.

5.1.2.2 The cost of investments as at June 30, 2017 amounts to Rs 269.653 million (2016: Rs 233.728 million). These carry profit at the rate of 6.53% to 8.35% (2016: 6.64% and 8.36%) per annum and will mature by 20 Feb 2021 to 17 Feb 2026 (2016: 20 Feb 2021 to 17 Feb 2026).

5.1.3 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of certificates					Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised appreciation / (diminution) as at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2017					
----- (Rupees in '000) -----										
Commercial Banks									%	%
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	7,608	7,517	(91)	0.44%	1.54%
Total as at June 30, 2016	26,100	-	1,500	20,100	4,500	23,227	22,824	(403)	2.17	2.92

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

5.2 Government securities - Pakistan investment bonds

Particulars	Face value					Carrying value as at June 30, 2017	Market value as at June 30, 2017	Unrealised appreciation / (diminution) as at June 30, 2017	Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2016	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2017					
----- (Rupees in '000) -----									%	%
Pakistan Investment Bond - 03 years	194,000	139,000	333,000	-	-	-	-	-	-	-
Pakistan Investment Bond - 05 years	24,500	748,900	773,400	-	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	57,400	600,000	650,000	-	7,400	8,064	7,885	(179)	0.46%	1.61%
Total as at June 30, 2017						8,064	7,885	(179)	0.46%	1.61%
Total as at June 30, 2016						297,855	296,254	(1,601)	28.21	37.89

5.2.1 The cost of investments as at June 30, 2017 amounts to Rs 8.127 million (2016: Rs 297.835 million). These securities are held in the IPS account of Habib Metro maintained with the State Bank of Pakistan. These carry profit at the rate of 12.00% (2016: 12%, 11.25%, 11.5% and 8.75%) per annum and will mature on 30 August 2018 (2016: 30 August 2018, 19 July 2022, 18 July 2016, 17 July 2017, 26 March 2018, 17 July 2017).

5.3 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net

Note 2017 2016
(Rupees in '000)

Market value as at June 30 - net of provision	5.1.1, 5.1.2 & 5.1.3	331,026	485,687
Less: carrying value as at June 30 - net of provision	5.1.1, 5.1.2 & 5.1.3	(329,368)	(484,037)
		<u>1,658</u>	<u>1,650</u>

5.4 Unrealised appreciation on re-measurement of investments classified as available for sale - net

Market value as at June 30	7,885	296,254
Less: carrying value as at June 30	(8,064)	(297,855)
	<u>(179)</u>	<u>(1,601)</u>
Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1	1,601	1,418
	<u>1,422</u>	<u>(183)</u>

5.5 This carries profit at the rate of 6.75% (2016: Nil) per annum and is due to mature on September 28, 2017. At June 30, 2017, TDR represented 8.70% (2016: Nil) of the total net assets of the Fund.

5.6 Significant terms and conditions of Term Finance Certificates and other securities outstanding at the year end are as follows:

Name of security	Number of certificates	Face Value	Unredeemed Face value / Redemption value	Mark-up rate (Per annum)	Rating	Maturity	Secured / unsecured
Listed debt securities							
Askari Bank Limited (23-12-11)	37	1,000,000	998,200	6 months KIBOR + 1.75%	AA	December 23, 2021	Unsecured
Bank Alfalah Limited (20-02-13)	13,381	5,000	4,994	6 months KIBOR + 1.25%	AA	February 20, 2021	Unsecured
Askari Bank Limited (30-09-14)	5,000	5,000	4,997	6 months KIBOR + 1.20%	AA-	September 20, 2024	Unsecured
Habib Bank Limited (19-02-16)	500	100,000	100,000	6 months KIBOR + 0.50%	AAA	February 19, 2026	Unsecured
Bank AL Habib Limited (17-03-16)	9,000	5,000	5,000	6 months KIBOR + 0.75%	AA	March 17, 2026	Unsecured
Ghani Gases Limited (03-02-17)	480	-	-	3 months KIBOR + 1.00%	A	February 3, 2023	Secured
Trust Investment Bank Limited (04-07-08 issue)	-	-	-	6 months KIBOR + 1.85%	B	July 4 2013	Unsecured
Telecard Limited (27-05-05)	-	-	-	6 months KIBOR + 3.75%	BBB	December 31, 2020	Secured
Pace Pakistan Limited (15-02-08)	-	-	-	6 months KIBOR + 2%	Non-Rated	February 15, 2017	Secured
Unlisted debt securities							
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	5,000	4,987	6 months KIBOR + 2.5%	AA-	December 02, 2017	Unsecured

5.7 Status of non-compliance as per circular 16 of 2010 issued by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (SECP), vide its circular no. 16 dated July 7, 2010 has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the collective investment schemes or with the investment requirements of their constitutive documents.

Name of non-compliant investments	Note	Type of investments	Value of investment before provision	Provision held if any	Value of investment after provision	% of net assets	% of gross assets
Trust Investment Bank Limited (04-07-08 issue)	5.1.2.1	TFC	18,743	(18,743)	18,743	-	-
Telecard Limited (27-05-05 issue)	5.1.2.1	TFC	31,088	(31,088)	31,088	-	-
Pace Pakistan Limited (15-02-08 issue)	5.1.2.1	TFC	49,940	(49,940)	49,940	-	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

6	PROFIT RECEIVABLE	Note	2017 (Rupees in '000)	2016
	Profit receivable on:			
	- Bank balances (in saving accounts)		6,650	603
	- Investments:			
	Term deposit receipts		28	-
	Term finance certificates		5,016	4,724
	Government securities		298	12,788
	- Margin trading system		276	-
			<u>12,268</u>	<u>18,115</u>
7	ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
	Advance tax		4,100	4,084
	Security deposit with National Clearing Company of Pakistan Limited		2,500	2,500
	Security deposit with Central Depository Company of Pakistan Limited		200	200
	Advance against IPO subscription		1,000	-
	Receivable against margin trading system		17,519	-
	Receivable from National Clearing Company of Pakistan Limited		18,354	-
	Margin against term finance certificates		1,603	1,353
	Prepayments		245	236
	Others		5	-
			<u>45,526</u>	<u>8,373</u>
8	PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY			
	Management remuneration payable	8.1	2,064	1,384
	Sindh sales tax payable on management remuneration	8.2	269	194
	Sales load payable		6	2
	Payable against allocated expenses	8.3	132	93
			<u>2,471</u>	<u>1,673</u>
8.1	The Management Company has charged remuneration of an amount not exceeding one and one-half of one percent (1.5%) per annum of the average daily Net Assets. The remuneration is paid to the Management Company on a monthly basis in arrears.			
8.2	During the year, Sindh Sales Tax on management fee has been charged at 13% (2016: 14%).			
8.3	In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund up to a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.			
9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2017 (Rupees in '000)	2016
	Trustee remuneration payable	9.1	185	148
	Sindh sales tax on remuneration of the Trustee	9.2	24	21
			<u>209</u>	<u>169</u>
9.1	Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year			
	Net Assets Value (NAV)	Tariff per annum		
	Up to Rs 1,000 million	0.17% per annum of Net Assets		
	On an amount exceeding Rs 1,000 million upto Rs 5,000 million	Rs 1.7 million plus 0.085% per annum of Net Assets exceeding Rs 1,000 million		
	On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of Net Assets exceeding Rs 5,000 million		
9.2	Sindh Sales Tax at 13% (2016: 14%) is charged on Trustee fee.			
9.3	The remuneration is paid to the Trustee on a monthly basis in arrears.			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

10	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Annual fee payable to the SECP	10.1	919	909
10.1	Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.			
11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
	Provision against Sindh Workers' Welfare Fund	11.1	2,836	-
	Provision against Workers' Welfare Fund	11.1	-	24,327
	Legal and professional charges		59	60
	Withholding tax on capital gains		1,686	6,474
	Auditors' remuneration		375	461
	Brokerage		289	77
	Zakat		-	165
	Sindh sales tax payable on allocated expenses		262	100
	Federal excise duty and other related taxes payable on management remuneration	11.2	9,210	9,210
	Federal excise duty and other related taxes payable on sales load	11.2	239	239
	Others		595	605
			15,551	41,718

- 11.1** The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the 'very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP had recommended the following to all its members on January 12, 2017:

- based on legal opinion, the entire provision against WWF held by the CISs till June 30 2015, to be reversed on January 12, 2017; and
- as a matter of abundant caution provision in respect of SWWF is being made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e., starting from May 21, 2015).

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 had advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, necessary adjustments in this respect were recorded in the books of the Funds on January 12, 2017.

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re 0.0885 per unit.

- 11.2** 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 were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was of the view that further levy of FED was not justified.

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 9.449 million (2016: Rs 9.449 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re 0.2950 per unit (2016: Re 0.4823 per unit).

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2017 and June 30, 2016 except as disclosed below.

	2017	2016
	(Rupees in '000)	
12.1 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at year end	-	-
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at year end	2,275	-
13 AUDITORS' REMUNERATION		
Annual audit fee	280	309
Half yearly review fee	160	176
Other certification and services	105	110
Out of pocket expenses	-	82
	545	677

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

14 TOTAL EXPENSE RATIO

The total expense ratio of the Fund for the year ended June 30, 2017 is 2.43% which includes 0.45% representing Government levy, Workers' Welfare Fund and SECP fee.

15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

	Note	2017	2016
		(Rupees in '000)	
16 CASH AND CASH EQUIVALENTS			
Bank balances	4	1,194,719	286,385
Term deposit receipts	5.5	150,000	-
		1,344,719	286,385

17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-ArifHabib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the year end are as follows:

17.1 Details of transactions with related parties / connected persons during the year

	Note	2017	2016
		(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited - Management Company			
Remuneration of the Management Company (including indirect taxes)		18,269	24,043
Allocated expenses and related taxes		1,384	818
Central Depository Company of Pakistan Limited - Trustee			
Remuneration of the Trustee (including indirect taxes)		2,137	2,143
CDS charges		351	7
Arif Habib Limited			
Brokerage	17.3	9	1
MCB Bank Limited - Parent of the Management Company			
Profit on Bank deposits		161	678
Bank charges		8	21
Purchase of investments having a face value of Nil (2016: Rs 50 million) for		-	52,444
Sale of investments having a face value of Nil (2016: Rs 12.5 million) for		-	13,281
Next Capital Limited			
Brokerage	17.3	32	28
Summit Capital (Private) Limited			
Brokerage	17.3	-	2

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
Adamjee Life Assurance Company Limited - Employees gratuity fund			
Issue of 1,005 units (2016: Nil units)		54	-
Dividend paid		72	-
Fauji Cement Company Limited			
	17.4		
Issue of Nil units (2016: 4,087,073 units)		-	225,000
Redemption of Nil units (2016: 4,087,073 units)		-	228,400
Fatima Fertilizer Company Limited			
Dividend income		50	-
Nishat Chunian Limited			
Dividend income		88	-
Mandate under discretionary portfolio			
Issue of 2,233,142 units (2016: Nil units)		121,118	-
Redemption of 2,236,806 units (2016: Nil units)		121,538	-
Dividend paid		2	-
Directors and Executives of the Management Company			
Issue of 99,716 units (2016: 386 units)		5,358	22
Redemption of 535 units (2016: 6,740 units)		30	364
Dividend paid		-	1
17.2 Details of balances with related parties / connected persons as at year end			
MCB-Arif Habib Savings and Investments Limited - Management Company			
Management remuneration payable		2,064	1,384
Sindh sales tax payable on management remuneration		269	194
Sales load payable		6	2
Payable against allocated expenses		132	93
Sindh sales tax payable on sales load		-	239
Central Depository Company of Pakistan Limited - Trustee			
Trustee remuneration payable		185	148
Sindh sales tax payable on Trustee remuneration		24	21
Security deposit		200	200
MCB Bank Limited - Parent of the Management Company			
Bank balance		28,632	40,268
Profit receivable on bank deposits		1	29
Adamjee Life Assurance Company Limited - Employees gratuity fund			
Outstanding 21,338 units (2016: 20,332 units)	17.5	1,147	1,090
Directors and key management personnel of the Management Company			
Outstanding 99,181 units (2016: 1,080 units)	17.5	532	58
Mandate under discretionary portfolio			
Outstanding 539 units (2016: 4,203 units)	17.5	29	225
17.3	The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them as the ultimate counter parties are not connected persons.		
17.4	This represents those parties that became connected / related parties during the year due to acquiring unit holding of more than 10% of net assets of the Fund.		
17.5	This reflects the position of related party / connected persons status as at June 30, 2017.		
17.6	The Fund's investment in related parties are disclosed in note 5.		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

18 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2017, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss or available for sale. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised

Particulars	June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total

(Rupees in '000)

Financial assets

Bank balances	1,194,719	-	-	1,194,719
Investments	150,000	331,026	7,885	488,911
Profit receivable	12,268	-	-	12,268
Advances, deposits, prepayments and other receivables	41,181	-	-	41,181
	<u>1,398,168</u>	<u>331,026</u>	<u>7,885</u>	<u>1,737,079</u>

Particulars	June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

(Rupees in '000)

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited -

Management Company

- 2,202 2,202

Payable to Central Depository of Pakistan Limited - Trustee

- 185 185

Payable against redemption of units

- 313 313

Accrued expenses and other liabilities

- 1,318 1,318

- 4,018 4,018

Particulars	June 30, 2016			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total

(Rupees in '000)

Financial assets

Bank balances	286,385	-	-	286,385
Investments	-	485,687	296,254	781,941
Profit receivable	18,115	-	-	18,115
Advances, deposits, prepayments and other receivables	4,053	-	-	4,053
	<u>308,553</u>	<u>485,687</u>	<u>296,254</u>	<u>1,090,494</u>

Particulars	June 30, 2016		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

(Rupees in '000)

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited -

Management Company

- 1,479 1,479

Payable to Central Depository of Pakistan Limited - Trustee

- 148 148

Payable against redemption of units

- 47 47

Accrued expenses and other liabilities

- 1,368 1,368

- 3,042 3,042

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

19 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

19.1 Market risk

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

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

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

19.1.1 Currency risk

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

19.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The interest rate profile of the Fund's interest bearing financial instruments is as follows:

	Note	2017 -----Rupees-----	2016
Variable rate instrument (financial asset)			
Bank balance	4	1,166,389	285,018
Government securities	5.2	7,885	296,254
Listed debt securities	5.1.2	273,892	226,233
Unlisted debt securities	5.1.3	7,517	22,824
		1,455,683	830,329
Fixed rate instruments (financial assets)			
Government securities	5.1.1	49,617	236,630
Term deposit receipts (TDR)		150,000	-
		199,617	236,630

a) Sensitivity analysis for variable rate instrument

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 14.56 million (2016: Rs 8.30 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Fair value sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 2.00 million (2016: Rs 2.37 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Particulars	As at June 30, 2017					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
<hr/>						
On-balance sheet financial instruments	%	(Rupees in '000)				
<hr/>						
Financial assets						
Bank balances	3.75% to 9.6%	1,166,389	-	-	28,330	1,194,719
Investments	5.99% to 12%	199,617	7,517	281,777	-	488,911
Profit receivable		-	-	-	12,268	12,268
Advances, deposits, prepayments and other receivables		-	-	-	41,181	41,181
Sub total		1,366,006	7,517	281,777	81,779	1,737,079
<hr/>						
Financial liabilities						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	2,202	2,202
Payable to Central Depository of Pakistan Limited - Trustee		-	-	-	185	185
Payable against redemption of units		-	-	-	313	313
Accrued expenses and other liabilities		-	-	-	1,318	1,318
Sub total		-	-	-	4,018	4,018
<hr/>						
On-balance sheet gap		1,366,006	7,517	281,777	77,761	1,733,061
<hr/>						
Total interest rate sensitivity gap		1,366,006	7,517	281,777	77,761	1,733,061
<hr/>						
Cumulative interest rate sensitivity gap		1,366,006	1,373,523	1,655,300		

Particulars	As at June 30, 2016					Not exposed to yield / interest rate risk	Total
	Effective yield / interest rate	Exposed to yield / interest risk					
		Upto three months	More than three months and upto one year	More than one year			
<hr style="border-top: 1px dashed black;"/>							
On-balance sheet financial instruments	%	(Rupees in '000)					
<hr/>							
Financial assets							
Bank balances	3.75% to 5.25%	285,018	-	-	1,367	286,385	
Investments	5.99% to 11.5%	-	236,630	545,311	-	781,941	
Profit receivable		-	-	-	18,115	18,115	
Advances, deposits, prepayments and other receivables		-	-	-	4,053	4,053	
Sub total		285,018	236,630	545,311	23,535	1,090,494	
<hr/>							
Financial liabilities							
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	1,479	1,479	
Payable to Central Depository of Pakistan Limited - Trustee		-	-	-	148	148	
Payable against redemption of units		-	-	-	47	47	
Accrued expenses and other liabilities		-	-	-	1,368	1,368	
Sub Total		-	-	-	3,042	3,042	
<hr/>							
On-balance sheet gap		285,018	236,630	545,311	20,493	1,087,452	
<hr/>							
Total interest rate sensitivity gap		285,018	236,630	545,311	20,493	1,087,452	
<hr/>							
Cumulative interest rate sensitivity gap		285,018	521,648	1,066,959			
<hr/>							

19.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at the reporting date, the Fund is not exposed to price risk as no equity securities are held by the Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

19.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments, profit receivable and deposit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

19.2.1 Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2017 was as follows:

	2017		2016	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Bank balances	1,194,719	1,194,719	286,385	286,385
Investments	488,911	431,409	781,941	249,057
Profit receivable	12,268	11,970	18,115	5,327
Advances, deposits, prepayments and other receivables	41,181	41,181	4,053	4,053
	<u>1,737,079</u>	<u>1,679,279</u>	<u>1,090,494</u>	<u>544,822</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs 57.50 million (2016: Rs 532.88 million) including profit receivable on such government securities of Rs 0.30 million (2016: Rs 12.79 million) is not exposed to credit risk.

19.2.2 Bank balances

The Fund held bank balances at June 30, 2017 with banks having following credit ratings:

Rating	2017		2016	
	Rupees in '000	%	Rupees in '000	%
AAA	28,676	2.40%	40,268	14.06%
AA+	80,012	6.70%	49,596	17.32%
AA-	803,218	67.23%	1,518	0.53%
AA	150,009	12.56%	194,991	68.09%
A+	11	0.00%	-	-
A-	70,384	5.89%	12	-
A	62,409	5.22%	-	-
	<u>1,194,719</u>	<u>100.00%</u>	<u>286,385</u>	<u>100.00%</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2017.

19.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2017		2016	
	Rupees in '000	%	Rupees in '000	%
Commercial banks	1,579,673	94.08%	535,442	98.28%
Oil & gas marketing companies (Advance against IPO subscription)	1,000	0.06%	-	-
Chemicals (investment in quoted sukuk certificates)	46,460	2.77%	-	-
National Clearing Company of Pakistan Limited (deposits)	39,976	2.38%	3,853	0.70%
Central Depository Company of Pakistan Limited (security deposit)	200	0.01%	200	0.04%
Chemicals and commercial banks (profit receivable on investment in quoted sukuk certificates)	11,970	0.70%	5,327	0.98%
	<u>1,679,279</u>	<u>100.00%</u>	<u>544,822</u>	<u>100.00%</u>

All financial assets of the Fund as at June 30, 2017 are unsecured and are not impaired, except those disclosed in note 5.6 and 5.7 to these financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

19.3 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 to the Fund.

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current year.

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

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
2017					
	Rupees in '000				
Financial assets					
Bank balances	1,194,719	-	-	-	1,194,719
Investments	-	199,617	7,517	281,777	488,911
Profit receivable	12,268	-	-	-	12,268
Advances, deposits, prepayments and other receivables	41,181	-	-	-	41,181
	1,248,168	199,617	7,517	281,777	1,737,079
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	2,202	-	-	-	2,202
Payable to Central Depository of Pakistan Limited - Trustee	185	-	-	-	185
Payable against redemption of units	313	-	-	-	313
Accrued expenses and other liabilities	1,318	-	-	-	1,318
	4,018	-	-	-	4,018
Net assets	1,244,150	199,617	7,517	281,777	1,733,061
2016					
	Rupees in '000				
Financial assets					
Bank balances	286,385	-	-	-	286,385
Investments	-	-	236,630	545,311	781,941
Profit receivable	18,115	-	-	-	18,115
Advances, deposits, prepayments and other receivables	4,053	-	-	-	4,053
	308,553	-	236,630	545,311	1,090,494
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	1,479	-	-	-	1,479
Payable to Central Depository of Pakistan Limited - Trustee	148	-	-	-	148
Payable against redemption of units	47	-	-	-	47
Accrued expenses and other liabilities	1,368	-	-	-	1,368
	3,042	-	-	-	3,042
Net assets	305,511	-	236,630	545,311	1,087,452

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

19.4 Fair value measurement

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

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

Fair value of investments is determined as per the policy disclosed in note 3.2.5 to these financial statements.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2017 and June 30, 2016, the Fund held the following assets measured at fair values:

As at June 30, 2017				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
Financial assets 'at fair value through profit or loss' - net				
Government securities	-	49,617	-	49,617
Listed debt securities	-	273,892	-	273,892
Unlisted debt securities	-	7,517	-	7,517
Available for sale investments				
Government securities	-	7,885	-	7,885
As at June 30, 2016				
	Level 1	Level 2	Level 3	Total
Rupees in '000				
Financial assets 'at fair value through profit or loss' - net				
Government securities	-	236,630	-	236,630
Listed debt securities	-	226,233	-	226,233
Unlisted debt securities	-	22,824	-	22,824
Available for sale investments				
Government securities	-	296,254	-	296,254

19.5 Unit Holders' Fund risk management

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders, to maintain a strong base of assets to meet unexpected losses or opportunities and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

20 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

S. No.	Name	Designation	Experience in years	Qualification
1	Muhammad Saqib Saleem	Chief Executive Officer	20	FCA & FCCA
2	Muhammad Asim	Chief Investment Officer	14	MBA & CFA
3	Awais Abdul Sattar	Senior Research Analyst	6	MBA & CFA
4	Saad Ahmed	Portfolio Manager – Fixed Income	12	MBA
5	Syed Mohammad Usama Iqbal	Manager - Fixed Income	13	MA,CFA Level I

20.1 Syed Mohammad Usama Iqbal is the Manager of the Fund. He is also managing Alhamra Islamic Income Fund.

21 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017.

S. No.	Particulars	Percentage
1	Adam Securities Private Limited	13.20%
2	MRA Securities Limited	10.50%
3	Aba Ali Habib Securities Limited	10.25%
4	EFG Hermes Pakistan Limited	8.45%
5	JS Global Capital Limited	7.89%
6	Al Falah Securities Private Limited	7.47%
7	Intermarket Securities Limited	6.65%
8	Top Line Securities Private Limited	6.54%
9	DJM Securities Private Limited	5.61%
10	Multiline Securities Private Limited	4.99%

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2016.

S. No.	Particulars	Percentage
1	Invest Capital Markets Limited	35.25%
2	JS Global Capital Limited	14.64%
3	Invest and Finance Securities Limited	10.72%
4	Next Capital Limited	9.35%
5	Icon Securities Private Limited	7.95%
6	BMA Capital Management Limited	6.74%
7	Elixir Securities Pakistan Private Limited	4.14%
8	Magenta Capital Limited	3.23%
9	Vector Capital Pvt Limited	1.78%
10	Optimus Market Private Limited	1.68%

22 PATTERN OF UNIT HOLDING

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	866	11,669,955	627,407	36.43%
Associated company	1	21,338	1,147	0.07%
Insurance companies	17	7,213,826	387,834	22.52%
Retirement funds	42	9,102,203	489,443	28.42%
Others	36	4,021,634	216,214	12.56%
	962	32,028,956	1,722,045	100.00%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Category	As at June 30, 2016			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	817	7,327,373	392,793	37.40%
Director	1	22,227	1,191	0.11%
Insurance companies	9	4,019,419	215,466	20.51%
Retirement funds	2	1,794,664	96,205	9.16%
Others	71	6,429,167	344,643	32.82%
	900	19,592,850	1,050,298	100.00%

23 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 126th, 127th, 128th, 129th, 130th, 131st, 132nd and 133rd meeting of the Board of Directors were held on July 12, 2016, August 05, 2016, August 15, 2016, October 21, 2016, February 02, 2017, March 20, 2017, April 21, 2017 and May 12, 2017 respectively. Information in respect of attendance by the directors and other persons in the meetings is

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
Directors					
1	Mian Muhammad Mansha	8	1	7	126th, 128th, 129th,130th,131st, 132nd, 133rd
2	Nasim Beg	8	6	2	127th,130th
3	Salman Shah	8	7	1	126th
4	Ahmed Jahangir	8	8	-	-
5	Haroun Rashid	8	2	6	126th, 127th, 128th,130th,131st, 132nd
6	Mirza Mehmood	5*	1	4	130th,131st, 132nd, 133rd
7	Mirza Qamar Beg	3*	3	-	-
8	Samad A Habib	8	5	3	128th, 129th, 131st
9	Muhammad Saqib Saleem	8	8	-	-

* These directors joined the Board of Directors during the year. Therefore, the number of meetings held in respect of these directors is less than the total number of meetings held during the year

24 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

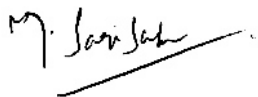
25 GENERAL

Figures have been rounded off to the nearest thousand rupees.

26 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 04, 2017 by the Board of Directors of the Management Company.

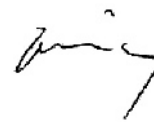
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
Adamjee Life Assurance Company Limited-employees Gratuity Fund	1	21,338
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	1	99,181
Public sector companies and corporations	-	-
Banks, Development Finance Institutiios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	59	16,316,029
Unitholders holding 5 percent or more Voting interest in the listed company		
National Refinery Executive Staff Post Retirement Medical Benefit Fund	1	1,747,102
Others	900	13,845,306
	962	32,028,956

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2017**

No. of Unit Holder	Unit holdings	Total Units Held
722	1-10000	1,101,040
178	10001-100000	6,047,856
57	100001-1000000	17,913,715
5	1000001 onwards	6,966,345
962		32,028,956

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2017

Performance Information	2017	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	1,722	1,050	1,131	1,008	1,092
Net Assets value per unit – Rupees	53.7626	53.6062	53.42	52.04	53.16
Closing Offer Price	54.9776	55.07	54.88	53.48	54.63
Closing Repurchase Price	53.7626	53.61	53.42	52.04	53.16
Highest offer price per unit	58.5767	58.30	59.73	54.58	54.62
Lowest offer price per unit	54.75	54.90	53.49	53.27	52.63
Highest Redemption price per unit	57.22	56.80	58.14	53.11	53.16
Lowest Redemption price per unit	53.51	53.50	52.06	51.84	15.92
Distribution per unit – Rs. *	3.54	3.10	4.50	6.15	2.51
Average Annual Return - %					
One year	6.90	6.14	11.31	8.13	7.16
Two year	6.52	8.73	9.72	7.64	8.28
Three year	8.12	8.53	8.87	8.23	9.68
Net Income for the year – Rs. in million	69.019	59.50	114.74	78.16	83.83
Distribution made during the year – Rs. in million	65.255	56.37	84.89	77.22	61.00
Accumulated Capital Growth – Rs. in million	3.764	3.31	29.85	0.83	22.83
Weighted average Portfolio Duration (years)	1.0	2.3	2.10	2.20	2.40

* Date of Distribution

2017	
Date	Rate
June 19, 2017	3.54

2015	
Date	Rate
June 22, 2015	4.50

2016	
Date	Rate
June 27, 2016	3.1

2013	
Date	Rate
September 27, 2012	1.05
December 26, 2012	0.75
March 26, 2013	0.71

2014	
Date	Rate
July 4, 2013	1.16
September 27, 2013	0.86
December 26, 2013	1.93
March 27, 2014	1.11
June 27, 2014	1.09

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

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