



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT | 2017

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



MCB PAKISTAN FREQUENT PAYOUT FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
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 Vice Chairman Chief Executive Officer Director 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	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan. Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited Zarai Taraqati Bank Limited JS Bank Limited Tameer Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance 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	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by 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 **MCB Pakistan Frequent Payout 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.

EQUITIES MARKET OVERVIEW

Despite taking significant battering in the last one and a half month of FY17, index managed to post a gain of 23.24%. The index declined by 11.94% from its high of 52,876 points witnessed in May, 2017 by end of June, 2017. Increased concerns regarding JIT proceedings and disappointing net foreign flows post MSCI up gradation led to negative returns. Foreigners remained net sellers, liquidating a massive USD 652 million worth of equities with majority of the selling absorbed by mutual funds (USD 575 million). Average volumes increased by ~64% to 340 million shares and value traded increased by ~58% to PKR 15 billion.

Among the best performers, Steel sector lead the charts, outperforming the benchmark index by a massive ~198% as strong infrastructural activities under the CPEC regime, along with government's favorable policies in terms of imposition of regulatory and anti-dumping duties on various steel products provided strong investor's interest in the sector. Furthermore, the share prices started incorporating capacity enhancement projects. Phenomenal return of ~98% made the Auto Sector, second best performer in the market. The outperformance came in due to stream of new model launches, impressive sales volumes and announcement of taxi scheme in the budget. Oil and Gas sector witnessed an astounding growth driven by two factors; one of which is a volumetric growth of ~10% in OMCs while the second is announcement of capital projects worth PKR 110 billion by SNGP which are to be completed by 2018.

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

On the flip side, Fertilizers remained among the weak performers by losing ~11% as rising inventories coupled with discounts on urea prices took a toll on the sector. Furthermore, depressing international fertilizer prices abraded the pricing power of local manufacturers and dampened the potential export margins. Similarly, underperformance of cement sector by ~7% against the benchmark was also witnessed during the period under review, as international coal prices surged by ~30% YoY reaching a peak of \$100 in November, 2016. Furthermore, Cherat Cement's expansion in the North region challenged the dynamics of pricing arrangement, as a result of which cement prices were reduced by 4-5% in the region keeping the stock prices under pressure.

FUND PERFORMANCE

During the period under review, the fund posted a return of 5.54% compared to the benchmark return of 5.88%. On the equities front, the overall allocation was increased to 1.2% from 0.4%. On the fixed income side, the fund decreased its exposure in PIBs to 0% from 47.7% in June, 2016.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 900 million as compared to Rs. 796 million as at June 30, 2016 registering an increase of 13.06%. The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 101.4252 as compared to Rs 100.2203 as at June 30, 2016 showing an increase of 1.2049 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 is 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%.

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.

- I. The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:
- ii. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.

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

- iii. Proper books of accounts of the Fund have been maintained.
- iv. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- v. 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.
- vi. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- vii. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- viii. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- ix. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- x. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- xi. 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.
- xii. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- xiii. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- xiv. 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:

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	-

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

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	-

- a. Nil units 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.

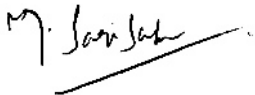
External Auditors

The fund's external auditors, **A.F.Ferguson&Co**, 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** 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

دوران سال بینجمنٹ 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 نوٹس کی کوئی Issuance / Redemption نہیں کی۔

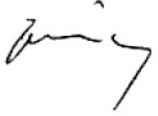
خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'اے ایف فرگوسن اینڈ کمپنی' 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' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹرز بینجمنٹ 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

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 (اسٹیلٹمنٹ اور ریکولیشنز) کے ضوابط، 2003ء، Non- بینکنگ فنانس اینڈ نوٹیفائیڈ انٹرنیشنل ریکولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکورٹیز 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 مؤثر 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۔

پروائیڈنٹ فنڈ میں سرمایہ کاروں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن میجمنٹ کمپنی پر ہوتا ہے، چنانچہ میجمنٹ کمپنی کی ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

تمام ڈائریکٹرز ڈائریکٹرز ٹریننگ پروگرام کورس 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 کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

آڈٹ کمیٹی کی میٹنگ

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

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

ہیومن ریسورس اینڈ ریوژنیشن کمیٹی کی میٹنگ

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

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

ڈائریکٹر رپورٹ

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 آرہی 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 کمپنیاں منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل ٹیک کے تحت ری بیٹس کے حوالے سے حکومت کی خاموشی اور زرمبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی چلک 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 پہنچنا 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 جھٹکا اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اتار نہ دے۔

ایکویٹی مارکیٹ پاناما 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 وزیر اعظم 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 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 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 اصول 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 لیکویڈٹی 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 ڈیویڈنڈ 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 گورننگ باڈی کے طور پر بورڈ عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ 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 بالتفصیل 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 صورتحال، اس کی سرگرمیوں کے نتائج، فنڈ کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔ فنڈ کی درست بکس 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۔

ڈائریکٹر رپورٹ

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 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۔

ایکویٹیز مارکیٹ کا جائزہ

مالی سال 2017ء کے آخری ڈیڑھ ماہ میں قابل ذکر کمی کے باوجود انڈیکس 23.24 فیصد ترقی کرنے میں کامیاب ہوا۔ انڈیکس مئی 2017ء میں اپنے عروج کی سطح 52,876 پوائنٹس سے جون 2017ء کے اختتام پر 11.94 فیصد کم ہو گیا۔ جے آئی ٹی کے معاملات کے حوالے سے بڑھتی ہوئی تشویش اور MSCI اپ گریڈیشن کے بعد net غیر ملکی آمدات کی مایوس گن صورتحال کے نتیجے میں منافع کی سطح گر گئی۔ Net فروخت کار بدستور غیر ملکی افراد رہے جنہوں نے 652 ملین ڈالر کی خطیر مالیت کی ایکویٹیز کو نقد میں تبدیل کیا اور فروخت کا اکثر حصہ میوچل فنڈز نے جذب کیا (575 ملین ڈالر)۔ اوسط حجم 64 فیصد زیادہ ہو کر 340 ملین حصص ہو گئے اور تجارت کردہ قدر 58 فیصد بڑھ کر 15 بلین روپے ہو گئی۔

بہترین کارکردگی کا مظاہرہ کرنے والوں میں اسٹیل کا شعبہ مقررہ معیار سے 198 فیصد زیادہ ترقی کر کے سب سے آگے رہا کیونکہ CPEC پروگرام کے تحت انفراسٹرکچر کے ضمن میں متحرک سرگرمیوں اور اسٹیل کی متعدد مصنوعات پر ریگولیٹری اور فضلات کے انتظام کی محصولات عائد کرنے کے حوالے سے حکومت کی موافق پالیسیوں کی بدولت اس شعبے میں سرمایہ کاروں کی بھرپور دلچسپی پیدا ہوئی۔ علاوہ ازیں، حصص کی قیمتوں میں استعداد میں اضافے کے منصوبوں کی عکاسی ہونے لگی۔ آٹو سیکٹر 98 فیصد ترقی کر کے مارکیٹ میں دوسرے نمبر پر بہترین کارکردگی کا حامل شعبہ رہا۔ اس شاندار کامیابی کے اسباب نئے ماڈل، فروخت کے بڑے حجم اور بجٹ میں ٹیکسی اسکیم کا اعلان ہیں۔ تیل اور گیس کے شعبے میں دو عوامل کیے باعث زبردست ترقی ہوئی: OMCs کے حجم میں 10 فیصد اضافہ اور SNGP کی جانب سے 110 بلین روپے مالیت کے کپٹل منصوبوں کا اعلان، جو 2018ء میں مکمل ہوں گے۔

اس کے برعکس کھاد کے شعبے نے 11 فیصد کم ترقی کر کے کمزور کارکردگی کا مظاہرہ کیا کیونکہ انوینٹریز میں اضافے اور یوریا کی قیمتوں میں ڈسکاؤنٹس نے اس شعبے پر منفی اثرات مرتب کئے۔ علاوہ ازیں، کھاد کی بین الاقوامی قیمتوں میں کمی کے باعث مقامی مینوفیکچررز کی قیمت متعین کرنے کی طاقت اور متوقع برآمداتی آمدنی متاثر ہوئی۔ سینٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران مقررہ معیار سے 7 فیصد کم ترقی کی کیونکہ کونسل کی بین الاقوامی قیمتیں 30 فیصد YoY اضافے کا شکار ہو کر نومبر 2016ء میں 100 ڈالر کی بلند ترین سطح تک پہنچ گئیں۔ علاوہ ازیں، چراٹ سینٹ کی شمالی خطے میں توسیع کے باعث قیمتوں کے تعین کے نظام کے لئے مشکلات پیدا ہوئیں جس کے نتیجے میں خطے میں سینٹ کی قیمتیں 4 سے 5 فیصد کم ہو گئیں اور اسٹاک کی قیمتیں دباؤ میں آ گئیں۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع 5.54 فیصد تھا جبکہ مقررہ معیار 5.88 فیصد تھا۔ ایکویٹیز کے میدان میں مجموعی سرمایہ کاری کو 0.4 فیصد سے بڑھا کر 1.2 فیصد کر دیا گیا۔ مقررہ آمدنی کے گوشے میں فنڈ نے پاکستان انویسٹمنٹ بانڈز میں سرمایہ کاری کو، جو جون 2016ء میں 47.7 فیصد تھی، کم کر کے 0 فیصد کر دیا۔ 30 جون 2017ء کو فنڈ کے net اثاثہ جات 900 ملین روپے تھے، جو 30 جون 2016ء کو 796 ملین روپے کے مقابلے میں 13.06 فیصد اضافہ ہے۔ 30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) نی پونٹ 101.4252 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 100.2203 روپے نی پونٹ کے مقابلے میں 1.2049 روپے نی پونٹ اضافہ ہے۔

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خطیر منافع جات تیل کی قیمتوں میں کمی کے ثمرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح

ڈائریکٹر رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان فریکوینٹ پے آؤٹ 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 ہوسکا 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 سینٹ کوکوت 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 کنپیل 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 اضافہ) 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 خطیر بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی (13.7 + فیصد Y/Y) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک

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

Fund Type and Category

MCB Pakistan Frequent Payout Fund is an Open-End Asset Allocation Scheme.

Fund Benchmark

The benchmark for MCB PFPF is KSE 100 Index and Six (6) months KIBOR rates on the basis of actual proportion held by the Scheme

Investment Objective

MCB Pakistan Frequent Payout Fund is an asset allocation fund and its objective is to provide investors regular monthly payments by investing Fund's assets in Debt and Equity instruments.

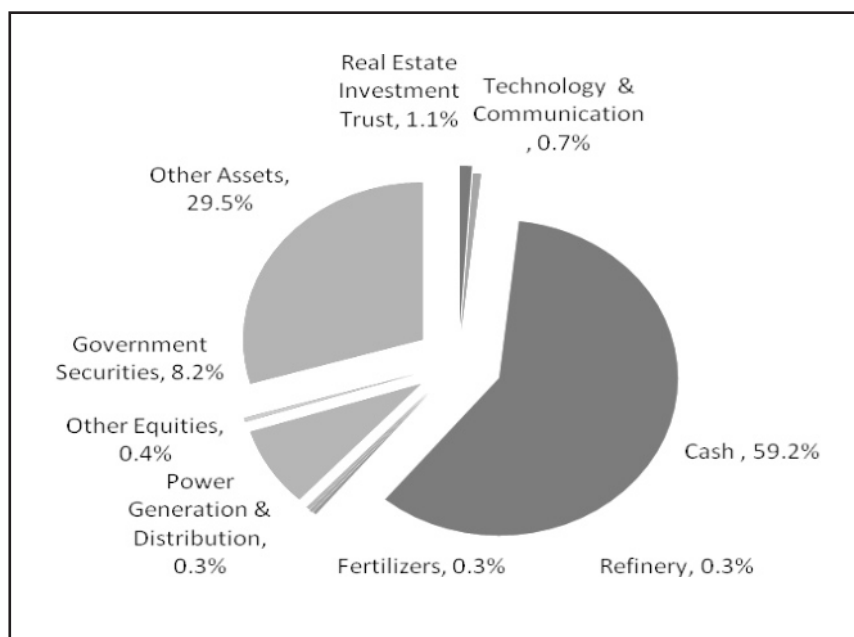
Investment Strategy

The Fund shall be subject to such exposure limits as are specified in the Rules, the Regulations and directives issued by SECP from time to time. The fund has the investment philosophy that it will invest its major portion i-e 80% of its assets in Fixed Income Securities and up to 20% of its assets in Equity Market. The investment philosophy is to earn optimal profit, in order to make distribution of payment to the unit holders at the end of each month on the basis of units held by them.

Manager's Review

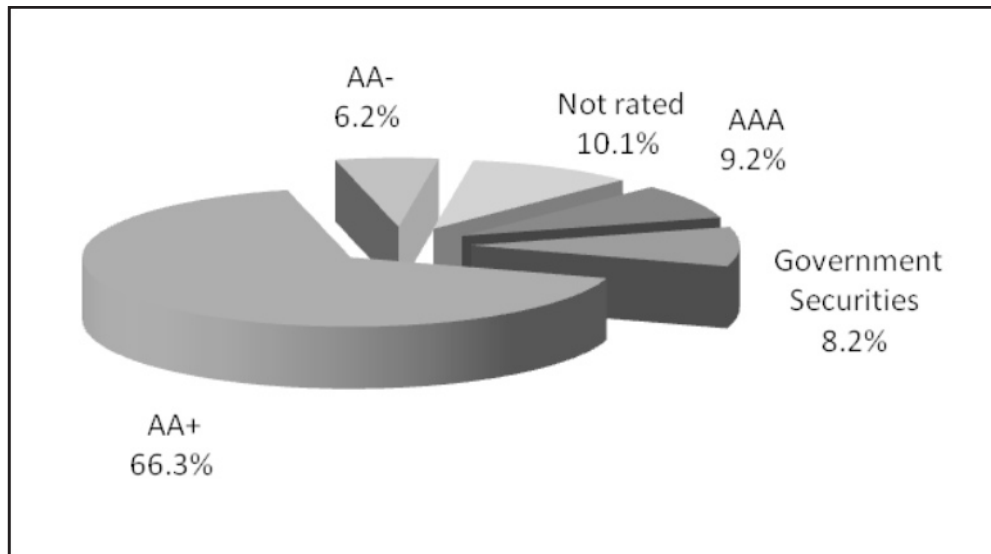
The fund posted a return of 5.54% during the period under review against the benchmark return of 5.88%. The fund increased its exposure in cash from 24.7% to 59.2%. Exposure in T-bills increased to 8.2% from 6.1% and decreased from 47.7% to 0% in PIBs.

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 on June 30, 2017 (% of total assets)



Awais Abdul Sattar, CFA
Fund Manager

Karachi: August 04, 2017

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



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

MCB PAKISTAN FREQUENT PAYOUT FUND

Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

MCB Pakistan Frequent Payout Fund, an open-end Scheme established under a Trust Deed executed between MCB-Arif Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee on 22nd July 2015. The scheme was approved by Securities & Exchange Commission of Pakistan on 16th July 2015.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of MCB Pakistan Frequent Payout Fund has, in all material respects, managed MCB Pakistan Frequent Payout Fund during the year ended 30th June 2017 in accordance with the provisions of the following:
 - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
 - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
 - (iii) the creation and cancellation of units are carried out in accordance with the deed;
 - (iv) and any regulatory requirement

A handwritten signature in black ink, appearing to read 'Anwar', is positioned above the printed name of the Chief Executive Officer.

Khawaja Anwar Hussain
Chief Executive Officer
MCB Financial Services Limited

Karachi: August 9, 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 MCB Pakistan Frequent Payout 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

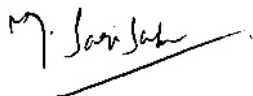
The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

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.

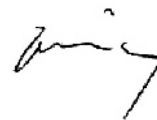
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

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

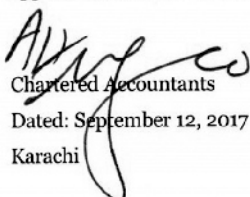
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited, the Management Company of **MCB Pakistan Frequent Payout Fund** (the Fund) for the 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 **MCB Pakistan Frequent Payout 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 period 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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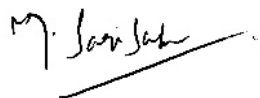
STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2017

	Note	2017 (Rupees in '000)	2016
ASSETS			
Bank balances	4	541,451	200,594
Investments	5	290,609	573,625
Dividend and profit receivable	6	1,800	20,568
Advances, deposits and other receivables	7	5,242	3,296
Preliminary expenses and floatation costs		495	642
Receivable against margin trading system		16,065	-
Receivable against sale of investments		38,360	-
Receivable from National Clearing Company of Pakistan Limited		20,286	14,798
Total assets		914,308	813,523
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	1,950	7,172
Payable to MCB Financial Services Limited - Trustee	9	102	85
Payable to the Securities and Exchange Commission of Pakistan	10	996	327
Fair value of derivative liability		-	580
Payable against purchase of investments		-	3,469
Accrued expenses and other liabilities	11	7,939	5,688
Dividend payable		3,725	-
Total liabilities		14,712	17,321
NET ASSETS		899,596	796,202
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		899,596	796,202
CONTINGENCIES AND COMMITMENTS	12		
(Number of units)			
NUMBER OF UNITS IN ISSUE		8,869,552	7,944,517
(Rupees)			
NET ASSET VALUE PER UNIT		101.4252	100.2203
FACE VALUE PER UNIT		100.0000	100.0000

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

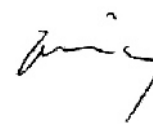
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



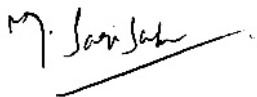
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	For the period from November 16, 2015 to June 30, 2016
		(Rupees in '000)	
INCOME			
Gain on sale of investments - net		16,073	5,936
Unrealised (diminution) / appreciation on re-measurement of investments at fair value through profit or loss - net	5.3	(61)	781
Unrealised diminution in the fair value of derivative liability - net		-	(580)
Profit / mark-up on:			
- bank balances		15,903	4,671
- Government securities		32,444	15,111
- money market placements		8,095	123
Dividend income		6,875	1,224
Income on margin trading system		677	-
Other income		2,483	1,343
Total income		82,489	28,609
EXPENSES			
Remuneration of the Management Company	8.1	10,971	4,609
Sindh Sales tax on Remuneration of the Management Company	8.2	1,426	749
Federal Excise Duty on Remuneration of the Management Company	11.1	-	737
Remuneration of the trustee	9.1	1,223	430
Sindh Sales tax on remuneration of the trustee	9.2	159	60
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	996	327
Allocated expenses and related taxes	8.3	1,187	388
Brokerage and settlement charges		3,888	1,368
Auditors' remuneration	13	670	230
Selling and marketing expenses	8.4	1,046	-
Provision against Sindh Workers' Welfare Fund	11.2	1,515	-
Amortization of preliminary expenses and floatation costs		147	92
Other expenses		918	424
Total expenses		24,146	9,414
Net income for the year / period before Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		58,343	19,195
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - net			
- arising from realized / unrealized gains / (losses)		(9,835)	448
- arising from other income		4,895	1,620
		(4,940)	2,068
Net income for the year / period before taxation		53,403	21,263
Taxation	15	-	-
Net income for the year / period after taxation		53,403	21,263

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

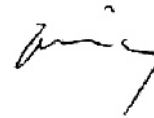
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



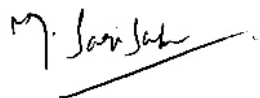
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	2017	For the period from November 16, 2015 to June 30, 2016
	(Rupees in '000)	
Undistributed income brought forward comprises of:		
- Realised gain	1,170	-
- Unrealised gain	391	-
Total undistributed income brought forward	1,561	-
Distributions during the year / period	19 (43,647)	(18,233)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	1,324	(1,469)
Net income for the year / period after taxation	53,403	21,263
Undistributed income carried forward	12,641	1,561
Undistributed income carried forward comprises of:		
- Realised gain	12,707	1,170
- Unrealised (loss) / gain	(66)	391
	12,641	1,561

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

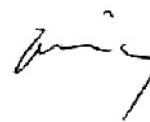
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



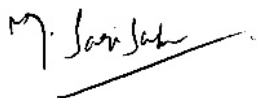
Director

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

	2017	For the period from November 16, 2015 to June 30, 2016
	(Rupees in '000)	
Net income for the year / period after taxation	53,403	21,263
Other comprehensive income for the year / period		
Items that are or may be reclassified subsequently to the income statement		
- Unrealised appreciation on re-measurement of investments classified as available-for-sale'	-	190
- Unrealised appreciation on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments	(190)	-
Total comprehensive income for the year / period	<u>53,213</u>	<u>21,453</u>

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

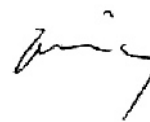
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(Management Company)



Chief Executive Officer



Chief Financial Officer



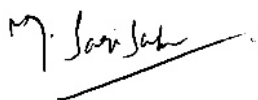
Director

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

	Note	2017	For the period from November 16, 2015 to June 30, 2016
		(Rupees in '000)	
Net assets at beginning of the year / period		796,202	-
Issue of 8,429,679 units (2016: 12,187,872 units)		847,700	1,220,254
Redemption of 7,504,644 units (2016: 4,243,355 units)		(758,812)	(425,204)
		88,888	795,050
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed - net			
- transferred to income statement			
- arising from realized / unrealized gains / (losses)		9,835	(448)
- arising from other income		(4,895)	(1,620)
- transferred to distribution statement		(1,324)	1,469
		3,616	(599)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - transferred to distribution statement - net		1,324	(1,469)
Gain on sale of investments - net		16,073	5,936
Unrealised (diminution) / appreciation on re-measurement of investments at fair value through profit or loss - net		(61)	781
Unrealised diminution in the fair value of derivative liability - net		-	(580)
Unrealised appreciation on re-measurement of investments classified as available-for-sale		-	190
Unrealised appreciation on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments		(190)	-
Other income (net of expenses)		37,391	15,126
Total comprehensive income for the year / period		53,213	21,453
Distributions during the year / period	19	(43,647)	(18,233)
Net assets at the end of the year / period		899,596	796,202
Net assets value per unit as at beginning of the year / period		100.2203	-
Net assets value per unit as at end of the year / period		101.4252	100.2203

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

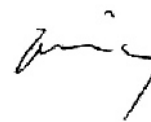
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



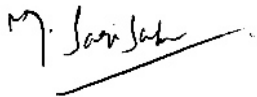
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	2017	For the period from November 16, 2015 to June 30, 2016
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year / period after taxation		53,403	21,263
Adjustments for:			
Unrealised diminution in the fair value of derivative liability - net		-	580
Unrealised diminution / (appreciation) on re-measurement of investments at fair value through profit or loss - net		61	(781)
Provision against Sindh Workers' Welfare Fund		1,515	-
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed - net			
- arising from realized / unrealized gains / (losses)		9,835	(448)
- arising from other income		(4,895)	(1,620)
		59,919	18,994
Decrease / (increase) in assets			
Investments - net		240,936	(572,327)
Dividend and profit receivable		18,768	(20,568)
Advances, deposits and other receivables		(1,946)	(3,296)
Preliminary expenses and floatation costs		147	(642)
Receivable against margin trading system		(16,065)	-
Receivable from National Clearing Company of Pakistan Limited		(5,488)	(14,798)
		236,352	(611,631)
(Decrease) / increase in liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		(5,222)	7,172
Payable to MCB Financial Services Limited - Trustee		17	85
Payable to the Securities and Exchange Commission of Pakistan		669	3,469
Fair value of derivative liability		(580)	-
Accrued expenses and other liabilities		736	5,688
		(4,380)	16,414
Net cash flows from operating activities		291,891	(576,223)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received against issuance of units		847,700	1,220,254
Amount paid against redemption of units		(758,812)	(425,204)
Cash distributions paid during the year / period		(39,922)	(18,233)
Net cash flows from financing activities		48,966	776,817
Net increase in cash and cash equivalents during the year / period		340,857	200,594
Cash and cash equivalents at beginning of the year / period		200,594	-
Cash and cash equivalents at end of the year / period	4	541,451	200,594

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

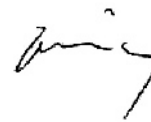
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



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

MCB Pakistan Frequent Payout Fund ("the Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 16 July 2015. It was constituted under a Trust Deed dated 22 July 2015 between MCB-Arif Habib Savings and Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules 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 has been categorised as an "Asset Allocation Scheme" in accordance with the requirements of circular no. 7 of 2009 dated March 6, 2009 issued by the SECP. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (AM two plus plus) dated June 23, 2017 to the Management Company.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. 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:

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 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 and 5)
- 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.

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.

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

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 listed equity securities is determined by reference to Stock Exchange quoted market prices at the close of period end.
- 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.

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.

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

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

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.

3.7 Dividend distribution and appropriations

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

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

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.

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

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.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances, term deposit receipts and government securities is recognised on an accrual basis using the effective interest method.

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) and selling and marketing expenses (note 8.4) are recognised at the rate of 0.1% and 0.4% per annum respectively 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.

3.14 Margin Trading System

Transactions of purchase under Margin Trading System (MTS) of marketable securities are entered into contracted rates for specified periods of time. Securities purchased under MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreements is recognised as receivable in respect of MTS. Profit is recognised on an accrual basis using the effective interest method. Cash releases are adjusted against the receivable as a reduction in the amount of receivable. The maximum maturity of an MTS contract is 60 calendar days out of which 25 percent exposure is automatically released at expiry of every 15th day from the date of contract.

3.15 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non- Banking Finance Companies and Notified Entities Regulations, 2008.

	Note	2017	2016
		(Rupees in '000)	
4 BANK BALANCES			
Bank balances - in saving accounts	4.1	<u>541,451</u>	<u>200,594</u>
4.1 These carry profit at the rates ranging between 3.75% to 6.35% (2016: 3.75% to 6.25%) per annum and include Rs 3.330 million (2016: Rs 1.436 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 3.75% (2016: 3.75%) per annum.			
5 INVESTMENTS	Note	2017	2016
		(Rupees in '000)	
At fair value through profit or loss - held for trading			
- Listed equity securities	5.1.1	10,841	62,438
- Government securities - Market Treasury Bills	5.1.2	74,768	49,505
- Government securities - Pakistan Investment Bonds	5.1.3	<u>-</u>	<u>20,893</u>
		85,609	132,836
Available-for-sale			
- Listed equity securities	5.2.1	-	3,526
- Government securities - Pakistan Investment Bonds	5.2.2	<u>-</u>	<u>367,263</u>
		-	370,789
Loans and receivables			
Term deposit receipts	5.4	<u>205,000</u>	<u>70,000</u>
		<u>290,609</u>	<u>573,625</u>

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

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

5.1.1 Listed equity securities

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2016	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at June 30, 2017	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 percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----					----- (Rupees in '000) -----						
Textile Composite											
Kohinoor Textile Mills Limited	-	50,000	-	(50,000)	-	-	-	-	-	-	-
Nishat (Chunian) Limited*	-	500	-	(500)	-	-	-	-	-	-	-
Nishat Mills Limited *	-	128,500	-	(128,500)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Refinery											
Attock Refinery Limited	-	344,500	-	(344,500)	-	-	-	-	-	-	-
National Refinery Limited	-	50,000	-	(50,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Oil & Gas Exploration Companies											
Mari Petroleum Company Limited	-	38,900	-	(38,900)	-	-	-	-	-	-	-
Oil and Gas Development Company Limited	-	837,900	-	(837,900)	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	35,500	-	(35,500)	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	155,000	-	(155,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Oil & Gas Marketing Companies											
Attock Petroleum Limited	-	14,250	-	(14,250)	-	-	-	-	-	-	-
Hascol Petroleum Limited	-	2,000	-	(2,000)	-	-	-	-	-	-	-
Hi-Tech Lubricants Limited	-	195,000	-	(195,000)	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	6,000	179,100	-	(185,100)	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited*	-	139,000	-	(139,000)	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	-	50,000	-	(50,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Fertilizer											
Engro Corporation Limited	87,000	277,500	-	(361,000)	3,500	1,304	1,140	(164)	0.13%	0.39%	0.00067%
Engro Fertilizer Limited	127,500	1,682,000	-	(1,809,500)	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	132,000	-	(132,000)	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	241,000	-	(241,000)	-	-	-	-	-	-	-
						1,304	1,140	(164)	0.13%	0.39%	0.00%
Cement											
Cherat Cement Company Limited*	-	11,600	-	(11,600)	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited*	-	139,000	-	(139,000)	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	8,500	-	(8,500)	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	192,500	-	(192,500)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	21,000	-	(21,000)	-	-	-	-	-	-	-
Lucky Cement Limited	-	10,000	-	(10,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Power Generation and Distribution											
Hub Power Company Limited	-	16,000	-	(16,000)	-	-	-	-	-	-	-
K- Electric Limited (face value of Rs. 3.5 each)	-	547,500	-	(547,500)	-	-	-	-	-	-	-
Kot Addu Power Company Limited	-	600,000	-	(600,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-

Name of investee company	As at July 1, 2016	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at June 30, 2017	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 percentage of net assets	Market value as percentage of total investments	Par value a as percentage of issued capital of the investee company
Cable and Electrical Goods											
Pak Elektron Limited	247,500	1,193,500	-	(1,441,000)	-	-	-	-	-	-	-
TPL Trakker Limited	-	75,000	-	(75,000)	-	-	-	-	-	-	-
Insurance											
IGI Insurance Limited	-	10,000	-	(10,000)	-	-	-	-	-	-	-
Engineering											
Aisha Steel Mills Limited*	-	350,000	-	(350,000)	-	-	-	-	-	-	-
Amrell Steels Limited	-	17,500	-	(17,500)	-	-	-	-	-	-	-
International Steels Limited	-	532,500	-	(532,500)	-	-	-	-	-	-	-
Mughal Iron And Steel Industries Limited*	-	83,000	-	(83,000)	-	-	-	-	-	-	-
Pharmaceutical											
GlaxoSmithKline Pakistan Limited	-	100,000	-	(100,000)	-	-	-	-	-	-	-
The Searle Company Limited	10,000	-	-	(10,000)	-	-	-	-	-	-	-
Paper and Board											
Century Paper and Board Mills Limited	-	200,000	-	(200,000)	-	-	-	-	-	-	-
Leather and Tanneries											
Service Industries Limited	-	12,850	-	(12,850)	-	-	-	-	-	-	-
Automobile Assembler											
Indus Motor Company Limited	-	15,200	-	(15,200)	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	5,000	-	(5,000)	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	20,050	-	(20,050)	-	-	-	-	-	-	-
Technology and Communication											
NetSol Technologies Limited	-	30,000	-	(30,000)	-	-	-	-	-	-	-
Avanceon Limited	-	188,500	-	(188,500)	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	20,000	-	(20,000)	-	-	-	-	-	-	-
TRG Pakistan Limited	-	276,000	-	(276,000)	-	-	-	-	-	-	-
Food and Personal Care Products											
Engro Foods Limited	10,000	59,500	-	(69,500)	-	-	-	-	-	-	-
				</							

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

Name of investee company	As at July 1, 2016	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at June 30, 2017	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 percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----											
----- (Rupees in '000) -----											
Commercial Banks											
Askari Bank Limited	-	8,000	-	(8,000)	-	-	-	-	-	-	-
Allied Bank Limited	-	200,000	-	(200,000)	-	-	-	-	-	-	-
Bank Alfalah Limited	-	220,000	-	(220,000)	-	-	-	-	-	-	-
Habib Bank Limited	-	20,000	-	(20,000)	-	-	-	-	-	-	-
MCB Bank Limited*	-	70,000	-	(70,000)	-	-	-	-	-	-	-
United Bank Limited	-	323,000	-	(323,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Total as at June 30, 2017						10,895	10,841	(54)	1.21%	3.73%	0.04%
Total as at June 30, 2016						61,645	62,438	793	7.84%	10.88%	0.09%

* These denote related parties / connected persons.

5.1.1.1 The cost of investments in listed equity securities as at June 30, 2017 is Rs 10.9 million (2016: Rs 64.665 million).

5.1.2 Government securities - Market Treasury Bills

Tenor	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 / matured during the year	As at June 30, 2017					
----- (Rupees in 000) -----									
3 months	-	1,254,000	(1,254,000)	-	-	-	-	-	-
6 months	50,000	225,000	(275,000)	-	-	-	-	-	-
1 year	-	863,000	(788,000)	75,000	74,775	74,768	(7)	8.31%	25.73%
Total as at June 30, 2017					74,775	74,768	(7)	8.31%	25.73%
Total as at June 30, 2016					49,502	49,505	3	6.22%	8.63%

5.1.2.1 The cost of investments in Market Treasury Bills as at June 30, 2017 is Rs 74.775 million (2016: Rs 49.505 million). These carry yield at the rate of 6.03% (2016: 5.90%) per annum and are due to mature on July 20, 2017 (2016: September 1, 2016)

5.1.3 Government securities - Pakistan Investment Bonds

Tenor	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 / matured during the year	As at June 30, 2017					
(Rupees in 000)									
3 years	20,000	20,000	(40,000)	-	-	-	-	-	-
Total as at June 30, 2017					-	-	-	-	-
Total as at June 30, 2016					20,878	20,893	(15)	2.62%	3.64%

5.1.3.1 The cost of investments in Pakistan Investments Bonds as at June 30, 2017 is Nil (2016: Rs 20.907 million). These carry yield at the rate of Nil (2016: 9%) per annum.

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

5.2 Available-for-sale

5.2.1 Listed equity securities

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2016	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at June 30, 2017	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 percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
	----- (Number of shares) -----				----- (Rupees in '000) -----						
Automobile Assembler											
Honda Atlas Cars (Pakistan) Limited	-	11,000	-	(11,000)	-	-	-	-	-	-	-
Indus Motor Company Limited	-	14,600	-	(14,600)	-	-	-	-	-	-	-
Pak Suzuki Motor Company Limited	-	11,000	-	(11,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cable and Electrical goods											
Pak Elektron Limited	-	199,000	-	(199,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cement											
Cherat Cement Company Limited	-	150,000	-	(150,000)	-	-	-	-	-	-	-
Dewan Cement Limited	-	245,000	-	(245,000)	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited*	-	152,000	-	(152,000)	-	-	-	-	-	-	-
Lucky Cement Limited	-	10,000	-	(10,000)	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	120,000	-	(120,000)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	110,500	-	(110,500)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Chemical											
Archroma Pakistan Limited	-	23,000	-	(23,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Commercial Banks											
Bank AL Habib Limited	-	305,000	-	(305,000)	-	-	-	-	-	-	-
MCB Bank Limited*	-	70,000	-	(70,000)	-	-	-	-	-	-	-
Meezan Bank Limited	-	10,500	-	(10,500)	-	-	-	-	-	-	-
National Bank of Pakistan	-	200,000	-	(200,000)	-	-	-	-	-	-	-
United Bank Limited	-	225,000	-	(225,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Engineering											
Amreli Steels Limited	-	199,000	-	(199,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Fertilizer											
Engro Corporation Limited	-	104,600	-	(104,600)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Food and Personal Care Products											
Engro Foods Limited	-	5,500	-	(5,500)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Insurance											
Adamjee Insurance Company Limited*	-	100,000	-	(100,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Leather and Tanneries											
Service Industries Limited	-	750	-	(750)	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of investee company	As at July 1, 2016	Purchased during the year	Bonus/ right issue during the year	Sold during the year	As at June 30, 2017	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 percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
----- (Number of shares) -----					----- (Rupees in '000) -----						
Oil and Gas Exploration Companies											
Oil and Gas Development Company Limited	-	307,500	-	(307,500)	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	63,500	-	(63,500)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Oil and Gas Marketing Companies											
Pakistan State Oil Company Limited	-	127,900	-	(127,900)	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited*	-	50,000	-	(50,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Paper and Board											
Packages Limited	-	17,700	-	(17,700)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	400	15,100	-	(15,500)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Power Generation and Distribution											
K-Electric Limited (face value of Rs 3.5 each)	400,000	760,000	-	(1,160,000)	-	-	-	-	-	-	-
Hub Power Company Limited	-	170,000	-	(170,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Technology and Communication											
Pakistan Telecommunication Company Limited	-	600,000	-	(600,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
Textile Composite											
Nishat (Chunian) Limited*	-	455,000	-	(455,000)	-	-	-	-	-	-	-
Nishat Mills Limited*	-	200,000	-	(200,000)	-	-	-	-	-	-	-
						-	-	-	-	-	-
						-	-	-	-	-	-
Total as at June 30, 2017						-	-	-	-	-	-
Total as at June 30, 2016						3,503	3,526	23	0.44%	0.61%	-

* These denote related parties / connected persons.

5.2.1.1 The cost of investments in listed equity securities as at June 30, 2017 is Nil (2016: Rs 3.507 million).

5.2.2 Government securities - Pakistan Investment Bonds

Tenor	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 / matured during the year	As at June 30, 2017					
(Rupees in 000)									
3 Years	340,000	620,000	(960,000)	-	-	-	-	-	-
5 Years	25,000	25,000	(50,000)	-	-	-	-	-	-
Total as at June 30, 2017					-	-	-	-	-
Total as at June 30, 2016					367,096	367,263	167	46.13%	64.02%

5.2.2.1 The cost of investments in Pakistan Investment Bonds as at June 30, 2017 is Nil (2016: Rs 374.266 million). These carry yield at the rate of Nil (2016: 11.25% to 11.50%) per annum.

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

		2017	2016
		(Rupees in '000)	
5.3	Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net		
	Market value as at June 30	85,609	132,836
	Less: carrying value as at June 30	(85,670)	(132,055)
		<u>(61)</u>	<u>781</u>
5.4	This carries mark-up at the rate of 6.18% to 6.75% (2016: 6.40%) per annum and is due to mature by September 28, 2017 (2016: August 19, 2016). At June 30, 2017, TDR represented 22.78% (2016: 8.79%) of the total net assets of the Fund.		
		Note	2017
			2016
			(Rupees in '000)
6	DIVIDEND AND PROFIT RECEIVABLE		
	Dividend receivable	164	446
	Profit receivable on:		
	- government securities	-	19,095
	- term deposit receipts	464	-
	- bank balances	971	1,027
	- margin trading system	187	-
	- advance against investment in Sukuk (Pre-IPO)	14	-
		<u>1,800</u>	<u>20,568</u>
7	ADVANCES, DEPOSITS AND OTHER RECEIVABLES		
	Security deposit with National Clearing Company of Pakistan Limited	2,750	2,500
	Security deposit with Central Depository Company of Pakistan Limited	100	100
	Advance against investment in Sukuk (Pre-IPO)	1,000	-
	Others	1,392	696
		<u>5,242</u>	<u>3,296</u>
8	PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY		
	Management remuneration payable	8.1 734	781
	Sindh sales tax payable on management remuneration	8.2 95	109
	Sales load payable	-	2,684
	Payable against allocated expenses	8.3 75	62
	Payable against selling and marketing expenses	8.4 1,046	-
	Other payable	-	3,536
		<u>1,950</u>	<u>7,172</u>
8.1	The Management Company has charged remuneration at a rate of 15% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 2% of average annual net assets of the Fund. 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 upto 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.		

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

- 8.4** In accordance with Regulation 60(3)(v) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 the Securities and Exchange Commission of Pakistan (SECP) has issued circular no. 40 of 2016 dated December 30, 2016 (later amended vide circular no. 05 of 2017 dated February 13, 2017) whereby it has prescribed certain conditions on Asset Management Companies (AMCs) for charging selling and marketing expenses to collective investment schemes (CISs). In accordance with the provisions contained in these circulars, selling and marketing expenses will be allowed initially for a period of three years (from January 1, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund or actual expenses, whichever is less. The circulars also state that AMCs will only be allowed to charge these expenses on their CISs if they open at least two new branches in cities except Karachi, Lahore, Islamabad and Rawalpindi by June 30, 2017.

The SECP has also provided certain guidelines in the above mentioned circulars for the allocation of expenses to the fund, which prescribe that selling and marketing expenses can only be used in respect of the following:

1. cost pertaining to opening and maintenance of new branches by asset management companies in cities except Karachi, Lahore, Islamabad and Rawalpindi,
2. payment of salaries to sales team posted at new branches,
3. payment of commission to sales team and distributors in all cities of Pakistan, and
4. payment of advertising and publicity of these funds.

In addition, the above circulars also specify that asset management companies which intend to charge the above mentioned expenses to the funds, shall submit their annual plan to their Board of Directors for approval which amongst others, shall state the name of the funds in which such expenses will be charged and nature of expenses that will be charged.

Keeping in view the aforementioned guidelines provided by the SECP, the Board of Directors of the Management Company have approved the plan as required by the above mentioned circular in March 2017 and have approved selling and marketing expenses to be charged to the Fund. Furthermore, in respect of the above, two new branches have been opened in Gujrat and Peshawar before June 30, 2017 in order to comply with the requirements of the above mentioned circulars.

The management has also carried out an exercise to identify expenses of the Management Company (on the basis of criteria mentioned in the above circular) that can be charged to the Fund. As the actual expenses incurred by the Management Company that are allowable to be allocated to the Fund for the year ended June 30, 2017 are higher than 0.4% per annum of net assets of the Fund, accordingly, with effect from March 24, 2017 the Management Company has charged expenses at the rate of 0.4% per annum of net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.

9	Note	2017	2016
PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE		(Rupees in '000)	
Trustee remuneration payable	9.1	90	75
Sindh Sales Tax payable on trustee remuneration	9.2	12	10
		<u>102</u>	<u>85</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	Rs 0.5 million or 0.12% per annum of Net Assets, whichever is higher
On an amount exceeding Rs 1,000 million upto Rs 5,000 million	Rs 1.2 million plus 0.075% per annum of Net Assets exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 4.2 million plus 0.06% 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 monthly basis in arrears.

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

	Note	2017 (Rupees in '000)	2016 (Rupees in '000)
10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)			
Annual fee payable to SECP	10.1	996	327
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			
Federal excise duty and other related taxes payable on management remuneration	11.1	841	841
Federal excise duty and other related taxes payable on sales load	11.1	3,625	3,625
Provision against Sindh Workers' Welfare Fund	11.2	1,515	-
Brokerage payable		944	884
Auditors' remuneration payable		458	130
Sindh sales tax payable on allocated expenses		184	47
Sales load payable		153	
Others		219	161
		<u>7,939</u>	<u>5,688</u>
11.1	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 0.841 million (2016: Rs 0.841 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 0.0948 per unit (2016: Re 0.1059 per unit).		
11.2	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. However, 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).		
	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 0.1708 per unit.		

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

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding 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 sale transactions not settled as at year end	2,648	-

13 AUDITORS' REMUNERATION

Annual audit fee	300	100
Half yearly review fee	150	40
Other certifications	105	60
Out of pocket expenses	115	30
	<u>670</u>	<u>230</u>

14 TOTAL EXPENSE RATIO (TER)

The total expense ratio of the Fund for the year ended June 30, 2017 is 2.26% which includes 0.41% 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.

16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons of the Fund include MCB-ArifHabib Savings and Investments Limited (being the Management Company) and its related entities, MCB Financial Services 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 related parties / connected persons and balances with them at the year / period end are as follows:

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

	2017	For the period from November 16, 2015 to June 30, 2016
Note	(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company (including indirect taxes)	12,397	6,095
Allocated expenses and related taxes	1,187	388
Selling and marketing expenses	1,046	-

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

		2017	For the period from November 16, 2015 to June 30, 2016
	Note	(Rupees in '000)	
MCB Financial Services Limited - Trustee			
Remuneration of the Trustee (including indirect taxes)		1,382	490
MCB Bank Limited - Parent of the Management Company			
Profit on bank balances		266	293
Bank charges		9	30
Sale of investments having a face value of Rs 200 million (2016: Nil) for		199,904	-
Arif Habib Limited			
Brokerage expense	16.3	240	133
Next Capital Limited			
Brokerage expense	16.3	182	-
16.2	Details of balances with related parties / connected persons as at year / period end		
	Note	2017	2016
		(Rupees in '000)	
MCB-Arif Habib Savings and Investments Limited - Management Company			
Management remuneration payable		734	781
Sindh sales tax payable on management remuneration		95	109
Sales load payable		-	2,684
Payable against allocated expenses		75	62
Payable against selling and marketing expenses		1,046	-
Other payable		-	3,536
MCB Financial Services Limited - Trustee			
Trustee remuneration payable		90	75
Sindh Sales Tax payable on trustee remuneration		12	10
MCB Bank Limited - Parent of the Management Company			
Bank balances		3,330	1,436
Profit receivable		13	53
Sale load payable		120	-
Arif Habib Limited			
Brokerage payable	16.3	40	43
Next Capital Limited			
Brokerage payable	16.3	119	-
16.3	The amount disclosed represents the amount of brokerage paid to related parties / connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not related parties / connected persons.		
16.4	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

17 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. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

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	541,451	-	-	541,451
Investments	205,000	85,609	-	290,609
Dividend and profit receivable	1,800	-	-	1,800
Advances, deposits and other receivables	3,850	-	-	3,850
Receivable against margin trading system	16,065	-	-	16,065
Receivable against sale of investments	38,360	-	-	38,360
Receivable from National Clearing Company of Pakistan Limited	20,286	-	-	20,286
	<u>826,812</u>	<u>85,609</u>	<u>-</u>	<u>912,421</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	-	1,855	1,855
Payable to MCB Financial Services Limited - Trustee	-	90	90
Accrued expenses and other liabilities	-	1,774	1,774
Dividend Payable	-	3,725	3,725
	<u>-</u>	<u>7,444</u>	<u>7,444</u>

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	200,594	-	-	200,594
Investments	70,000	132,836	370,789	573,625
Dividend and profit receivable	20,568	-	-	20,568
Advances, deposits and other receivables	2,600	-	-	2,600
Receivable from National Clearing Company of Pakistan Limited	14,798	-	-	14,798
	<u>308,560</u>	<u>132,836</u>	<u>370,789</u>	<u>812,185</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	-	7,063	7,063
Payable to MCB Financial Services Limited - Trustee	-	75	75
Fair value of derivative liability	-	580	580
Payable against purchase of investments	-	3,469	3,469
Accrued expenses and other liabilities	-	1,175	1,175
	<u>-</u>	<u>12,362</u>	<u>12,362</u>

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

18 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.

18.1 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.

18.1.1 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.

18.1.2 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:

	2017	2016
	-----Rupees-----	
Variable rate instrument (financial asset)		
Bank balance	541,451	200,594
Government securities - Pakistan Investment Bonds	-	388,156
	<u>541,451</u>	<u>588,750</u>
Fixed rate instruments (financial assets)		
Government securities - Market Treasury Bills	74,768	49,505
Term Deposit Receipt	205,000	70,000
	<u>279,768</u>	<u>119,505</u>

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 5.41 million (2016: Rs 5.89 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 2.80 million (2016: Rs 1.20 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		
	%	(Rupees in '000)				

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

On-balance sheet financial instruments

Financial assets

Bank balances	3.75% to 6.35%	541,451	-	-	-	541,451
Investments	6.03% to 6.75%	279,768	-	-	10,841	290,609
Dividend and profit receivable		-	-	-	1,800	1,800
Advances, deposits and other receivables		-	-	-	3,850	3,850
Receivable against margin trading system		-	-	-	16,065	16,065
Receivable against sale of investments		-	-	-	38,360	38,360
Receivable from National Clearing Company of Pakistan Limited		-	-	-	20,286	20,286
Sub total		821,219	-	-	91,202	912,421

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	1,855	1,855
Payable to MCB Financial Services Limited - Trustee		-	-	-	90	90
Accrued expenses and other liabilities		-	-	-	1,774	1,774
Dividend Payable		-	-	-	3,725	3,725
Sub total		-	-	-	7,444	7,444

On-balance sheet gap

821,219	-	-	83,758	904,977
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Total interest rate sensitivity gap

821,219	-	-	83,758	904,977
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Cumulative interest rate sensitivity gap

821,219	821,219	821,219
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Particulars	As at June 30, 2016					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 upto one year	More than one year		

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

On-balance sheet financial instruments

Financial assets

Bank balances	3.75% to 6.25%	200,594	-	-	-	200,594
Investments	5.90% to 11.50%	119,505	-	388,156	65,964	573,625
Dividend and profit receivable		-	-	-	20,568	20,568
Advances, deposits and other receivables		-	-	-	2,600	2,600
Receivable from National Clearing Company of Pakistan Limited		-	-	-	14,798	14,798
Sub total		320,099	-	388,156	103,930	812,185

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	7,172	7,172
Payable to MCB Financial Services Limited - Trustee		-	-	-	85	85
Fair value of derivative liability		-	-	-	580	580
Payable against purchase of investments		-	-	-	3,469	3,469
Accrued expenses and other liabilities		-	-	-	1,222	1,222
Sub Total		-	-	-	12,528	12,528

On-balance sheet gap

320,099	-	388,156	91,402	799,657
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Total interest rate sensitivity gap

320,099	-	388,156	91,402	799,657
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Cumulative interest rate sensitivity gap

320,099	320,099	708,255
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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

18.1.3 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.

A reasonably possible change of 5% increase or decrease in fair values at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 0.54 million (2016: Rs 3.30 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.

18.2 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 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.

18.2.1 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	541,451	541,451	200,594	200,594
Investments	290,609	205,000	573,625	70,000
Dividend and profit receivable	1,800	1,800	20,568	1,473
Advances, deposits and other receivables	3,850	3,850	2,600	2,600
Receivable against margin trading system	16,065	16,065	-	-
Receivable against sale of investments	38,360	38,360	-	-
Receivable from National Clearing Company of Pakistan Limited	20,286	20,286	14,798	14,798
	<u>912,421</u>	<u>826,812</u>	<u>812,185</u>	<u>289,465</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in listed equity securities and Government securities of Rs 85.609 million (2016: Rs 503.625 million) including profit receivable on such government securities of Nil (2016: Rs 19.095 million) is not exposed to credit risk.

18.2.2 Bank balances

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

	2017		2016	
Rating	Rupees in '000	%	Rupees in '000	%
AAA	3,383	0.62%	1,436	0.72%
AA+	536,476	99.10%	199,158	99.28%
AA-	1,543	0.28%	-	0.00%
AA	-	0.00%	-	0.00%
A	9	0.00%	-	0.00%
A-	15	0.00%	-	0.00%
A	25	0.00%	-	0.00%
	<u>541,451</u>	<u>100.00%</u>	<u>200,594</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.

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

18.2.3 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 (including profit receivable)	747,886	90.46%	271,621	93.84%
Dividend receivable	164	0.02%	446	0.15%
Oil & gas (Advance against investment in Sukuk (Pre-IPO) (including profit receivable))	1,014	0.12%	-	-
National Clearing Company of Pakistan Limited (deposits)	77,648	9.39%	17,298	5.98%
Central Depository Company of Pakistan Limited (security deposit)	100	0.01%	100	0.03%
	<u>826,812</u>	<u>100.00%</u>	<u>289,465</u>	<u>100.00%</u>

18.3 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 summarizes 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.

2017	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	Rupees in '000				
Financial assets					
Bank balances	541,451	-	-	-	541,451
Investments	85,609	205,000	-	-	290,609
Dividend and profit receivable	1,800	-	-	-	1,800
Advances, deposits and other receivables	3,850	-	-	-	3,850
Receivable against margin trading system	16,065	-	-	-	16,065
Receivable against sale of investments	38,360	-	-	-	38,360
Receivable from National Clearing Company of Pakistan Limited	20,286	-	-	-	20,286
	<u>707,421</u>	<u>205,000</u>	<u>-</u>	<u>-</u>	<u>912,421</u>
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	1,855	-	-	-	1,855
Payable to MCB Financial Services Limited - Trustee	90	-	-	-	90
Accrued expenses and other liabilities	1,774	-	-	-	1,774
Dividend Payable	3,725	-	-	-	3,725
	<u>7,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,444</u>
Net assets	<u><u>699,977</u></u>	<u><u>205,000</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>904,977</u></u>

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

2016	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	Rupeesin '000				
Financial assets					
Bank balances	200,594	-	-	-	200,594
Investments	65,964	119,505	-	388,156	573,625
Dividend and profit receivable	20,568	-	-	-	20,568
Advances, deposits and other receivables	2,600	-	-	-	2,600
Receivable from National Clearing Company of Pakistan Limited	14,798	-	-	-	14,798
	304,524	119,505	-	388,156	812,185
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	7,172	-	-	-	7,172
Payable to MCB Financial Services Limited - Trustee	85	-	-	-	85
Fair value of derivative liability	580	-	-	-	580
Payable against purchase of investments	3,469	-	-	-	3,469
Accrued expenses and other liabilities	1,222	-	-	-	1,222
	12,528	-	-	-	12,528
Net assets	291,996	119,505	-	388,156	799,657

18.4 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
	Rupeesin '000			
At fair value through profit or loss - held for trading				
- Listed equity securities	10,841	-	-	10,841
- Government securities - Market Treasury Bills	-	74,768	-	74,768
	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	Rupeesin '000			
At fair value through profit or loss - held for trading				
- Listed equity securities	62,438	-	-	62,438
- Government securities - Market Treasury Bills	-	49,505	-	49,505
- Government securities - Pakistan Investment Bonds	-	20,893	-	20,893
Available-for-sale				
- Listed equity securities	3,526	-	-	3,526
- Government securities - Pakistan Investment Bonds	-	367,263	-	367,263

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

18.5 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 18, 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.

19 DISTRIBUTIONS MADE DURING THE YEAR

	Rate per unit	Declaration date	Bonus Distribution Units	Cash Distribution Amount	
					--- (Rupees in '000) ----
For the month ended July 2016	Re. 0.5096	August 1, 2016	-	-	4,159
For the month ended August 2016	Re. 0.5096	August 31, 2016	-	-	5,042
For the month ended September 2016	Re. 0.4935	September 30, 2016	-	-	5,582
For the month ended November 2016	Re. 0.4119	November 30, 2016	-	-	4,812
For the month ended December 2016	Re. 0.5130	January 02, 2017	-	-	6,019
For the month ended January 2017	Re. 0.5160	January 31, 2017	-	-	5,981
For the month ended April 2017	Re. 0.4165	April 30, 2017	-	-	4,045
For the month ended May 2017	Re. 0.459	May 31, 2017	-	-	4,282
For the month ended June 2017	Re. 0.4200	June 30, 2017	-	-	3,725
			<u>-</u>	<u>-</u>	<u>43,647</u>

As per the distribution policy contained in the offering document, the Fund is required to ensure monthly streams of cash flows to the unit holders. In case, where the Fund suffers losses in the month due to equity portion loss, the monthly payment is required to be made by redeeming the appropriate number of units of the unit holders on the basis of previous 6 months average rate of dividend distribution per unit. Accordingly, the Fund has made redemptions in the month of October 2016, February 2017, and March 2017 amounting to Rs 6.023 million, Rs 5.239 million and Rs 5.117 million respectively to comply with this requirement.

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	Mohammad Aitazaz Farooqui	Research Analyst	3	MBA & CFA Level III
6	Syed Abid Ali	Head of Equity	9	MBA

- 20.1** Awais Abdul Sattar is the Manager of the Fund. He is also managing Alhamra Islamic Asset Allocation Fund (Formerly: Pakistan International Element Islamic Asset Allocation Fund), Alhamra Islamic Stock Fund (Formerly: MCB Pakistan Islamic Stock Fund and Alhamra Islamic Pension Fund (Formerly: Pakistan Islamic Pension Fund).

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

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	8.37%
2	JS Global Capital Limited	7.29%
3	Arif Habib Limited	6.53%
4	Topline Securities (Private) Limited	6.45%
5	Insight Securities (Private) Limited	5.67%
6	Intermarket Securities Limited	5.31%
7	EFG Hermes Pakistan Limited	4.97%
8	Next Capital Limited	4.79%
9	Elixir Securities Pakistan (Private) Limited	4.71%
10	DJM Securities (Private) Limited	4.53%

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

S. No.	Particulars	Percentage
1	Adam Securities (Private) Limited	10.21%
2	Next Capital Limited	9.76%
3	Foundation Securities (Private) Limited	8.41%
4	Arif Habib Limited	7.78%
5	Invest & Finance Securities Limited	7.55%
6	JS Global Capital Limited	6.75%
7	Topline Securities (Private) Limited	6.70%
8	Optimus Capital Management (Private) Limited	5.94%
9	Nael Capital (Private) Limited	5.25%
10	Taurus Securities Limited	5.15%

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	256	8,662,275	878,573	97.66%
Other	1	202,351	20,523	2.28%
Retirement fund	1	4,926	500	0.06%
	258	8,869,552	899,596	100.00%

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	249	7,939,518	795,701	99.94%
Retirement fund	1	4,999	501	0.06%
	250	7,944,517	796,202	100.00%

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

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 given below:

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 were appointed 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.

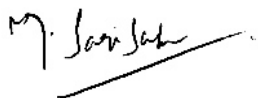
25 GENERAL

Figures have been rounded off to the nearest thousand rupees.

26 DATE OF AUTHORISATION FOR ISSUE

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

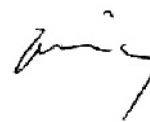
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



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 Holder	Units
Associated Companies, undertakings and related Parties	-	-
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	-	-
Public sector companies and corporations	-	-
Banks, Development Finance Instituitios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	1	4,926
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	257	8,864,626
	258	8,869,552

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

No. of Unit Holder	Unit holdings	Total Units Held
102	1-10000	572,225
144	10001-100000	5,811,822
12	100001-1000000	2,485,504
	1000001 onwards	
258		8,869,552

**PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2017**

Performance Information	2017	2016
Total Net Assets Value – Rs. in million	900	796.202
Net Assets value per unit – Rupees	101.4252	100.2203
Closing Offer Price	104.8635	104.3605
Closing Repurchase Price	101.4252	100.2203
Highest offer price per unit	105.6672	104.7581
Lowest offer price per unit		100.0000
Highest Redemption price per unit	102.0851	100.6021
Lowest Redemption price per unit	99.8944	100.0000
Distribution per unit – Rs. *	4.2491	3.2695
Average Annual Return - %		
One year (inception date Nov 16, 2015)	5.54	3.54
Two year	4.54	N/a
Three year	N/a	N/a
Net Income / (loss) for the period – Rs. in million	53.4030	21.26
Distribution made during the year – Rs. in million	43.6470	18.23
Accumulated Capital Growth – Rs. in million	9.76	3.03

*** Date of Distribution**

2017	
Date	Rate
August 01, 2016	0.5096
August 31, 2016	0.5096
September 30, 2016	0.4935
November 30, 2016	0.4119
January 02, 2017	0.5130
January 31, 2017	0.5160
April 30, 2017	0.4165
May 31, 2017	0.4590
June 30, 2017	0.4200

2016	
Date	Rate
November 30, 2015	0.2568
December 31, 2015	0.4760
January 31, 2016	0.4806
February 29, 2016	0.3199
March 31, 2016	0.2312
April 30, 2016	0.4932
May 31, 2016	0.5118
June 27, 2016	0.5000

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.

**PROXY ISSUED BY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 3 shareholders' meeting Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	15	15	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.

MCB-Arif Habib Savings and Investments Limited

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