



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 SOVEREIGN 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 Chairman Mr. Nasim Beg Vice Chairman Mr. Muhammad Saqib Saleem Chief Executive Officer Dr. Syed Salman Ali Shah Director Mr. Haroun Rashid Director Mr. Ahmed Jahangir Director Mr. Samad A. Habib Director Mr. Mirza Qamar Beg Director
Audit Committee	Mr. Haroun Rashid Chairman Mr. Ahmed Jahangir Member Mr. Mirza Qamar Beg Member Mr. Nasim Beg Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Chairman Mr. Nasim Beg Member Mr. Haroun Rashid Member Mr. Ahmed Jahangir Member Mr. Muhammad Saqib Saleem Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem
Chief Financial Officer & Company Secretary	Mr. Abdul Basit
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Bank Al-Habib Limited Allied Bank Limited Bank Al Falah Limited Faysal Bank Limited NIB Bank Limited Zarai Taraqiyati Bank Limited JS Bank Limited
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.
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 Sovereign Fund** accounts review for the year ended June 30, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

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

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

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

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.89% as against its benchmark return of 5.88%. At period-end, the fund reduced exposure in PIBs to 2.3% as interest rate outlook is appeared to be near bottom.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 1,351 million as compared to Rs. 8,691 million as at June 30, 2016 registering a decline of 84.46%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 53.13 as compared to opening NAV of Rs. 53.20 per unit as at June 30, 2016 registering a decrease of Rs. 0.07 per unit.

FUTURE OUTLOOK

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

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

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

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

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

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

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

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

Corporate Governance

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

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

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

The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2017:

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

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

- a. Nil units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

External Auditors

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

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

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



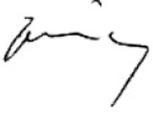
Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
04 اگست 2017ء

ڈائریکٹرز رپورٹ

آڈٹ کمیٹی کی میٹنگ

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

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

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

دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپرینٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شوہر/کی بیوی اور نابالغ بچوں نے فنڈ کے یونٹس کی کوئی Issuance / Redemption نہیں کی۔

خارجی آڈیٹرز

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

ڈائریکٹرز رپورٹ

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 امید 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، انٹریٹ 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 مہینہ 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 مینجمنٹ 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 ایکویٹیڈ ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو تفصیل واضح کیا گیا ہے۔

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

مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقدی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔ فنڈ کی درست گیس آف اکاؤنٹس تیار کی گئی ہیں۔

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

مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Bینکنگ فنانس کمپنیز (اسٹاٹمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Bینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 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 موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔ کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

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

تمام ڈائریکٹرز 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 مینٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی کمپنی مینٹنگ کی تفصیلات درج ذیل ہیں:

ڈائریکٹرز 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 انسٹرومنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.89 فیصد تھا جبکہ مقررہ معیار 6.05 فیصد تھا۔ اختتام مدت پر فنڈ نے پاکستان انویسٹمنٹ بانڈز میں اپنی سرمایہ کاری کو کم کر کے 2.3 فیصد کر دیا کیونکہ انٹریسٹ کی شرح بظاہر تقریباً تہہ تک پہنچ گئی تھی۔

30 جون 2017ء کو فنڈ کے net اثاثہ جات 1,351 ملین روپے تھے، جو 30 جون 2016ء کو 8,691 ملین روپے کے مقابلے میں 84.46 فیصد کمی ہے۔

30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 53.13 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 53.20 روپے فی یونٹ کے مقابلے میں 0.07 روپے فی یونٹ اضافہ ہے۔

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خیر منافع جات تیل کی قیمتوں میں کمی کے اثرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور حتیٰ کہ مالیاتی اکاؤنٹ کی بھی صورتحال سبب کے بوجھ میں کمی کے اعتبار سے بہتر ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پر نظر آ رہی ہیں۔

مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کمپنیاں منسوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل پیچ کے تحت ری بیٹس کے حوالے سے حکومت کی خاموشی اور زر مبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی چک 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 پہنچا 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

ڈائریکٹرز رپورٹ

عزیز سرمایہ کار

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

معیشت اور بازارز کا مجموعی جائزہ

مالی سال 2017ء میں پاکستان کی معیشت نے 5.28 فیصد ترقی کی جو گزشتہ دس سالوں میں سب سے زیادہ ترقی ہے۔ اگرچہ 5.7 فیصد کا ہدف حاصل نہ ہو سکا لیکن اس کے باوجود استحکام کے مرحلے سے ترقی کی بلند شرح کی طرف سفر خوش آئند ہے۔ زرعی شعبہ سب سے آگے رہا جس نے ایک سال قبل 0.26 فیصد ترقی کی تھی جبکہ اس سال 3.5 فیصد ترقی کی۔ اس کی معاونت سروسز نے 6 فیصد YoY ترقی کے ساتھ کی۔ صنعتی رُخ پر بڑے پیمانے کے مینوفیکچرنگ شعبے نے 11MFY17 میں 5.7 فیصد ترقی کی، اور اس میں اہم ترین کردار صارفی، تعمیری 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 کھینچنے والے اشیاء کی درآمد کے باعث مالی سال 2017ء میں درآمدات کا بل 48.5 بلین ڈالر تک پہنچ گیا۔

مالی سال 2017ء میں ترسیل زرگزشتہ 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 روزگاری صورت حال اور عالمی سطح پر متوقع سے کم حصولیات ہیں۔

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

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

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

اسٹیٹ بینک آف پاکستان نے اپنے تازہ ترین مالیاتی پالیسی کے جائزے برائے اگلے دو ماہ میں پالیسی کی شرح کو متواتر ساتویں مرتبہ 5.75 فیصد برقرار رکھا ہے۔ پالیسی کمیٹی کی بدستور مثبت خیالی کی بنیاد CPEC اور دیگر منصوبے ہیں جن کی بدولت دوران سال روپیہ نسبتاً مستحکم رہا اور ان کے ذریعے مستقبل میں آمدات متوقع ہیں۔ بازارز 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 سکر 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 Sovereign Fund (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund Benchmark

The benchmark for MSF is 6 month PKRV rates.

Investment Objective

The objective of the fund is to deliver income primarily from investment in Government securities.

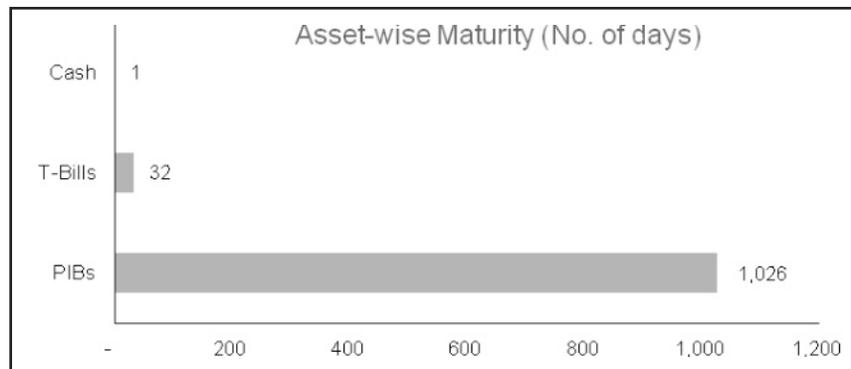
Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

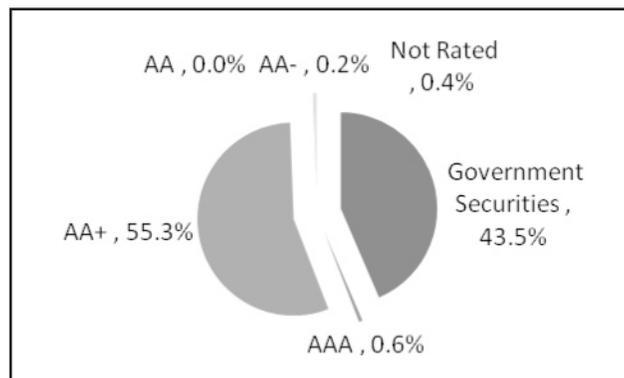
Manager's Review

During the period under review, the fund generated an annualized return of 5.89% as against its benchmark return of 5.88%. In order to capitalize on changing interest rate scenario during the year, fund adjusted its WAM accordingly while maintaining most of its exposure in T-Bills and Cash. At period-end, the fund was 2.3% invested in PIBs, 41.2% in T-Bills and 56.1% in Cash.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 53.13 as compared to opening NAV of Rs. 53.2 per unit as at June 30, 2016 registering a slight decrease of Rs. 0.07 per unit.



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



Mr. Saad Ahmed
Fund Manager
Karachi: August 04, 2017

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

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB PAKISTAN SOVEREIGN FUND

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

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

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


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

Karachi: September 08, 2017



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

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of MCB Pakistan Sovereign 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:

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

Category	Names
Independent Directors	1. Dr. Syed Salman Ali Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Qamar Beg
Executive Directors	1. Mr. Muhammad Saqib Saleem–Chief Executive Officer
Non – Executive Directors	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.

- 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).
- 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 NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- During the period no casual vacancy occurred on the board of the Company.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.
- 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.

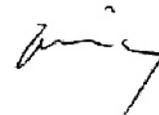
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

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



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of MCB Pakistan Sovereign Fund (the Fund), for the year ended 30 June 2017 to comply with the requirements of Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2017.

Chartered Accountants

Karachi

Date: 04 August 2017

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



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

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

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

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



-: 2 :-

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 04 August 2017

Karachi

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Assets			
Balances with banks	6	1,321,761	4,148,521
Investments	7	1,025,054	9,270,198
Mark-up and other receivables	8	4,679	122,930
Advances and prepayments	9	2,961	2,163
Total assets		2,354,455	13,543,812
Liabilities			
Payable to the Management Company	10	1,395	7,134
Payable to the Trustee	11	217	610
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	12	3,949	6,164
Payable against purchase of investments		945,695	1,990,062
Payable against conversion of units		-	2,769,378
Accrued and other liabilities	13	51,814	79,196
Total liabilities		1,003,070	4,852,544
Net assets		1,351,385	8,691,268
Unit holders' fund (as per statement attached)		1,351,385	8,691,268
Contingencies and commitments	14		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		25,435,698	163,363,463
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		53.13	53.20

The notes 1 to 24 form an integral part of these financial statements.

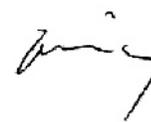
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



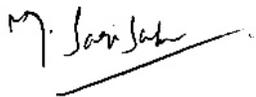
Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
INCOME			
Profit on bank deposits		51,646	26,837
Income from government securities		319,474	657,795
Net unrealised (diminution) / appreciation in the value of investments		(3)	348
Net loss on sale of investments		(95,939)	(7,936)
Total income		275,178	677,044
EXPENSES			
Remuneration of the Management Company		36,840	77,506
Sales tax and federal excise duty on remuneration of Management Company	15	4,789	24,990
Remuneration of the Trustee		4,699	6,913
Sales tax on trustee fee		611	967
Annual fee to SECP		3,949	6,164
Expenses allocated by Management Company and related taxes	5	5,949	6,051
Brokerage expenses		2,035	2,775
Auditors' remuneration	16	622	676
Legal and professional charges		532	1,488
Reversal of Provision for Workers' Welfare Fund	13.1	(38,736)	-
Other expenses		1,020	1,161
Total expenses		22,310	128,691
Net income from operating activities		252,868	548,353
Element of loss and capital losses included in the prices of units sold less those in units redeemed			
- from realised / unrealised capital gain		83,091	8,755
- from other loss		(278,991)	(470,816)
		(195,900)	(462,061)
Net income for the year before taxation		56,968	86,292
Taxation	4.16	-	-
Net income for the year after taxation		56,968	86,292

The annexed notes from 1 to 24 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



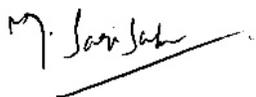
Director

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

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016 -----
Net income for the year after taxation	56,968	86,292
Other comprehensive income:		
To be reclassified to income statement in subsequent periods		
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	18,592	1,250
Total comprehensive income for the year	<u><u>75,560</u></u>	<u><u>87,542</u></u>

The annexed notes from 1 to 24 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**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Undistributed (loss) / income brought forward comprises of:		
- Realised (loss) / income	(291,619)	156,410
- Unrealised income	348	113
Undistributed (loss) / income brought forward - net	(291,271)	156,523
 Final distribution:		
- Cash distribution: for the year ended June 30, 2017 declared on June 22, 2017 of Rs.3.20 per unit	(62,213)	-
- Cash distribution for the year ended June 30, 2016 distributed at Rs.3.735 per unit (Declared on June 25, 2016)	-	(141,233)
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(456,831)	(392,853)
Net income for the year	56,968	86,292
	(462,076)	(447,794)
 Undistributed loss carried forward	(753,347)	(291,271)
 Undistributed loss carried forward comprises of:		
- Realised loss	(753,344)	(291,619)
- Unrealised (loss) / income	(3)	348
	(753,347)	(291,271)

The annexed notes from 1 to 24 form an integral part of these financial statements.

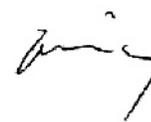
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



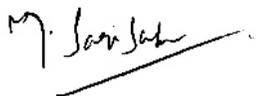
Director

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

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Net assets at the beginning of the year	8,691,268	3,192,984
Issue of 72,554,568 units (2016: 460,876,678 units)	3,876,071	24,166,773
Redemption of 210,482,332 units (2016: 357,694,023 units)	(11,425,201)	(19,076,859)
	(7,549,130)	5,089,914
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		
- amount representing loss and capital losses - transferred to Income Statement		
- from realised / unrealised capital gain	(83,091)	(8,755)
- from other loss	278,991	470,816
- amount representing unrealised income and capital gains that forms part of the unit holders' fund transferred to distribution statement	456,831	392,853
	652,731	854,914
Net income for the year transferred from the distribution statement		
Capital loss on sale of investments - net	(95,939)	(7,936)
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'held-for-trading'	(3)	348
Other net income for the year	152,910	93,880
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(456,831)	(392,853)
Distributions made during the year (refer distribution statement)	(62,213)	(141,233)
	(462,076)	(447,794)
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	18,592	1,250
Net assets at the end of the year	1,351,385	8,691,268
	----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	25,435,698	163,363,463
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	53.13	53.20

The notes 1 to 24 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	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	56,968	86,292
Adjustments for:		
Net unrealised diminution / (appreciation) in the fair value of investments classified 'at fair value through profit or loss - held-for-trading'	3	(348)
Element of loss and capital loss included in the prices of units sold less those in units redeemed:		
- from realised / unrealised capital (gain) / loss	(83,091)	(8,755)
- from other loss	278,991	470,816
	252,871	548,005
Decrease / (increase) in assets		
Investments	6,622,758	(4,650,396)
Mark-up and other receivables	118,251	(26,088)
Advances and prepayments	(798)	(77)
	6,740,211	(4,676,561)
(Decrease) / increase in liabilities		
Payable to the Management Company	(5,739)	(1,156)
Payable to the Trustee	(393)	148
Annual fee payable to SECP	(2,215)	1,540
Payable against purchase of investments	(1,044,367)	920,151
Payable against conversion of units	(2,769,378)	2,769,378
Accrued and other liabilities	(27,382)	(1,872)
	(3,849,474)	3,688,189
Net cash generated from / (used in) operating activities	3,143,608	(440,367)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts against issue of units	3,876,071	24,166,773
Net payments on redemption of units	(11,425,201)	(19,076,859)
Dividend paid	(62,213)	(141,233)
Net cash (used in) / generated from financing activities	(7,611,343)	4,948,681
Net (decrease) / increase in cash and cash equivalents during the year	(4,467,735)	4,508,314
Cash and cash equivalents at beginning of the year	6,138,583	1,630,269
Cash and cash equivalents at end of the year	1,670,848	6,138,583

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The annexed notes from 1 to 24 form an integral part of these financial statements.

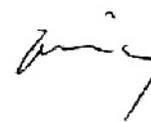
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



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 Sovereign Fund (the Fund) was established under a Trust Deed executed between ArifHabib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].

The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009.

During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.

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

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by 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.

MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.

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 to the Fund. The units are listed on the Pakistan Stock Exchange Limited.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated June 23, 2017 to the Management Company and has assigned stability rating of "AA-(f)" dated July 12, 2017 to the Fund. The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	December 31, 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	December 31, 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	December 31, 2003

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

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

2. STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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

2.2 New Standards, Interpretations and Amendments

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

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

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

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

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

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRS 17 - Insurance Contracts	January 01, 2021

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments are measured at fair value.

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

3.2 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.6 respectively.

3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 2.2.

4.1 Financial assets

The Fund classifies its financial assets in the following categories:

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

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

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

b) 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) loans and receivables or (b) financial assets at fair value through profit or loss - held-for-trading. 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.

c) Loans and receivables

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

4.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

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

4.3 Initial recognition and measurement

a) Financial assets at fair value through profit or loss - held-for-trading

These investments are initially recognized at fair value. Transaction costs are expensed in the income statement.

b) Available-for-sale and loans and receivables

These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

4.4 Subsequent measurement

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

a) Debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 1 dated January 06, 2009 as amended by Circular No. 33 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Government securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan, except the Government of Pakistan Ijarah Sukuks, which are obtained from MUFAP.

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in fair value of available-for-sale financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

c) Loans and receivables

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

4.5 Securities under repurchase / resale agreements

Transactions of purchase under an agreement for resale (reverse-repo) of marketable and government securities, including the securities purchased under margin trading system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognized in the statement of assets and liabilities. Amount paid under these agreements are included as receivable in respect of reverse repurchase transactions / against margin trading system transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions / margin trading system and accrued over the life of the reverse-repo agreement.

All reverse repo / marginal trading system transactions are accounted for on the settlement date.

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

4.6 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 06, 2009 as amended by Circular No. 13 dated May 04, 2009 and Circular No. 33 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

4.7 Derivatives

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as asset when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the Income Statement.

4.8 Derecognition

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

4.9 Offsetting of financial assets and liabilities

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

4.10 Financial liabilities

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

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

4.11 Issue and redemption of units

Units issued are recorded at the offer price of the day on which funds are received in the Trustee bank accounts during business hours. The offer price represents the net asset value per unit as of the close of the business day.

Units redeemed are recorded at the redemption price announced as of the close of the business day on which a correctly filled-in redemption form is submitted within the business hours. The redemption price represents the net asset value per unit as of the close of the business day.

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

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

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

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

4.13 Proposed distributions

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

4.14 Provisions

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

4.15 Earnings per unit

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

4.16 Taxation

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

4.17 Revenue recognition

- Realized capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on mark to market of investments classified as 'at fair value through profit or loss' - held-for-trading are included in the Income Statement in the period in which they arise.
- Income from government securities is recognized using the effective interest method.
- Profit on investments is recognized on an accrual basis.
- Profit on bank deposits is recognized on an accrual basis.

4.18 Expenses

All expenses including management fee, trustee fee and SECP fee are recognised in the Income Statement on an accrual basis.

4.19 Cash and cash equivalents

Cash and cash equivalents include deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

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

4.20 Other assets

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

4.21 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities are recognized in the Income Statement.

4.22 Net asset value per unit

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

5. REIMBURSEMENT OF EXPENSES TO THE MANAGEMENT COMPANY

SECP has introduced "expense ratio" vide amendments in the NBFC Regulations dated November 25, 2015, whereby, the total expense ratio of an income scheme shall be capped at 2% of average daily net assets value of the scheme. The regulation further states that for the purpose of expense ratio, expenses incurred in relation to any government levy on funds such as sales tax, federal excise duty, SECP fee, etc. shall be excluded while calculating expense ratio. Furthermore, under the NBFC Regulation 60(3)(s), the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar services, accounting, operations and valuation services related to that CIS, the maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less. Accordingly, this represents the amount payable to the Management Company to maintain the expense ratio of the Fund within the prescribed limits. The total expense ratio of the Fund is 1.18% which includes 0.21% representing government levies and SECP fee.

	Note	June 30, 2017	June 30, 2016
		----- (Rupees in '000) -----	
6. BALANCES WITH BANKS			
Deposit accounts	6.1	1,307,505	4,126,189
Current account		14,256	22,332
		<u>1,321,761</u>	<u>4,148,521</u>

6.1 These carry mark-up at rates ranging between 3.75% to 6.60% per annum (2016: 3.75% to 6.25% per annum) and include balance of Rs.15.018 million (2016: Rs.162 million) with MCB Bank Limited (a related party).

7. INVESTMENTS

7.1 'At fair value through profit or loss' - held for trading

Pakistan investment bonds	7.1.1	-	58,054
Market treasury bills	7.1.2	970,336	5,966,048
		970,336	6,024,102

7.2 Available-for-sale

Pakistan investment bonds	7.2.1	54,718	3,246,096
		1,025,054	9,270,198

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

7.1.1 Pakistan investment bonds - 'at fair value through profit or loss' - held-for-trading

	Face value			As at 30 June 2017			Market value		
	As at July 01, 2016	Purchased during the year	Sales / matured during the year	As at June 30, 2017	Carrying value	Market value	Appreciation	As a percentage of net assets	As a percentage of total investments
	(Rupees in '000)			(Rupees in '000)			%		
Pakistan Investment Bonds - 05 years	50,575	100,000	(150,575)	-	-	-	-	-	-
Total as at June 30, 2017									
Total as at June 30, 2016					57,796	58,054	258		

Note

7.1.2 Market treasury bills - 'at fair value through profit or loss' - held-for-trading

	Face value			As at 30 June 2017			Market value		
	As at July 01, 2016	Purchased during the year	Sales / matured during the year	As at June 30, 2017	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
	(Rupees in '000)			(Rupees in '000)			%		
7.1.2.1 Market treasury bills - 3 months	2,000,000	10,246,500	(11,896,500)	350,000	349,086	349,087	1	25.83%	34.06%
7.1.2.2 Market treasury bills - 6 months	-	11,385,000	(10,960,000)	425,000	421,776	421,770	(6)	31.21%	41.15%
7.1.2.3 Market treasury bills - 12 months	4,000,000	5,918,650	(9,718,650)	200,000	199,477	199,479	2	14.76%	19.46%
Total as at June 30, 2017					970,339	970,336	(3)		
Total as at June 30, 2016					5,965,958	5,966,048	90		

Note

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

7.1.2.1 These will mature latest by July 20, 2017 (2016: August 04, 2016) and carry effective yield at the rates ranging from 5.96% to 5.98% (2016: 5.88%) per annum.

7.1.2.2 These will mature latest by September 28, 2017 (2016: Nil) and carry effective yield at the rates ranging from 5.99% to 6.01% per annum (2016: Nil).

7.1.2.3 These will mature latest by July 20, 2017 (2016: August 04, 2016) and carry effective yield at the rate of 5.98% (2016: 5.90% to 5.92%) per annum.

7.2.1 Pakistan investment bonds - 'available-for-sale'

	Face value			As at 30 June 2017			Market value		
	As at July 01, 2016	Purchased during the year	Sales / matured during the year	As at June 30, 2017	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments	
Note	----- (Rupees in '000) -----			----- (Rupees in '000) -----			----- % -----		
Pakistan Investment Bonds - 3 years	7.2.1.1	1,361,170	6,592,120	(7,952,470)	820	822	-	0.06%	0.08%
Pakistan Investment Bonds - 5 years	7.2.1.2	1,314,150	8,799,160	(10,104,150)	9,160	9,546	(10)	0.71%	0.93%
Pakistan Investment Bonds - 7 years		9,000	-	(9,000)	-	-	-	0.00%	0.00%
Pakistan Investment Bonds - 10 years	7.2.1.3	347,950	2,855,250	(3,168,250)	34,950	38,198	(6)	2.83%	3.73%
Pakistan Investment Bonds - 20 years	7.2.1.4	5,500	-	-	5,500	5,587	571	0.46%	0.60%
Total as at June 30, 2017					54,163	54,718	555		
Total as at June 30, 2016					3,217,338	3,246,096	28,758		

7.2.1.1 These will mature latest by July 17, 2017 (2016: July 18, 2016) and carry interest at the rate of 11.25% (2016: 8.75% to 11.25%) per annum.

7.2.1.2 These will mature latest by March 26, 2020 (2016: August 18, 2016) and carry interest at the rates ranging from 9.25% to 11.50% (2016: 7.75% to 11.50%) per annum.

7.2.1.3 These will mature latest by July 19, 2022 (2016: August 22, 2017) and carry interest at the rate ranging from 9.60% to 12.00% (2016: 8.75% to 12.00%) per annum.

7.2.1.4 These will mature latest by June 10, 2024 (2016: June 10, 2024) and carry interest at the rate of 10% (2016: 10%) per annum.

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

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
8. MARK-UP AND OTHER RECEIVABLES			
Accrued mark-up on:			
- Pakistan investment bonds		1,909	116,978
- Deposit accounts with banks		2,757	5,952
Other receivables		13	-
		<u>4,679</u>	<u>122,930</u>
9. ADVANCES AND PREPAYMENTS			
Advance tax		2,809	2,024
Prepaid stability rating fee - PACRA		152	139
		<u>2,961</u>	<u>2,163</u>
10. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	10.1	1,080	5,179
Sales tax on management fee		141	725
Sales load payable		-	596
Expenses payable to Management Company		174	632
Legal and professional charges payable		-	2
		<u>1,395</u>	<u>7,134</u>

10.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter two percent of such assets of the Fund. In the current year, the management fees is being calculated on the lower of 10% of the Fund's operating revenue or 1.5% of average daily net assets subject to minimum fee of 0.5% (2016: 0.5%) of average daily net assets.

11. PAYABLE TO THE TRUSTEE

Trustee fee	11.1	<u>217</u>	<u>610</u>
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11.1 The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:

Average net asset value	Tariff per annum
Up to Rs.1 billion	0.15% per annum of net assets
Rs.1 billion to Rs.10 billion	Rs.1.5 million plus 0.075% p.a. of net assets exceeding Rs.1 billion
Over Rs.10 billion	Rs.8.25 million plus 0.06% p.a. of net assets exceeding Rs.10 billion

12. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (2016: 0.075%) of the average daily net assets of the Fund.

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

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
13. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	13.1	3,516	42,253
Federal Excise Duty payable on management fee	15	29,028	29,028
Federal Excise Duty payable on sales load	15	4,170	4,170
Withholding tax payable		5,742	176
Payable against redemption of units		7,186	-
Auditors' remuneration		427	419
Brokerage payable		80	1,687
Others		1,665	1,463
		<u>51,814</u>	<u>79,196</u>

13.1 Provision for Workers' Welfare Fund

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

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 01, 2015.

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

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 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 (including the Management Company of the Fund) 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.

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

- i. based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and

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

ii. the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The provision for SWWF is now being made on a daily basis. 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.0.14 per unit.

14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2017.

15. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

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

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

On June 30, 2016 the SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, 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 for the period from June 13, 2013 till June 30, 2016 amounting to Rs.29.028 million (2016: Rs.29.028 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said 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 Rs.1.14 per unit (2016: Rs.0.18).

16. AUDITORS' REMUNERATION

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Annual audit fee	270	270
Half yearly review fee	135	135
Other certification and services	108	108
	513	513
Sales tax	41	31
Out of pocket expenses	68	132
	622	676

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

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
17. CASH AND CASH EQUIVALENTS		
Balances with banks	1,321,761	4,148,521
Market treasury bills maturing within 3 months	349,087	1,990,062
	<u>1,670,848</u>	<u>6,138,583</u>

18. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

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

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

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
MCB Arif Habib Savings and Investment Limited		
Remuneration to the Management Company (including indirect taxes)	41,629	102,496
Issuance of 2,340,394 units (2016: 17,763,386 units)	124,986	959,568
Redemption of 8,200,244 units (2016: 11,903,536 units)	440,638	662,871
Expense allocated by Management Company and related taxes	5,949	6,051
Adamjee Insurance Company Limited		
Issuance of Nil units (2016: 82,953,780 units)	-	4,441,734
Redemption of 54,446,348 units (2016: 28,507,432 units)	2,995,157	1,615,072
Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund		
Issuance of 187,793 units (2016: 1,404,008 units)	10,000	75,210
Redemption of 1,414,245 units (2016: 3,639,659 units)	75,587	206,197
D.G Khan Cement Company Limited Employees Provident Fund Trust		
Issuance of 14,988,856 units (2016: 23,700,644 units)	800,405	1,300,000
Redemption of 14,988,856 units (2016: 23,700,644 units)	801,154	1,315,379
Adamjee Insurance Company Limited Employees Provident Fund Trust		
Issuance of Nil units (2016: 1,628,533 units)	-	89,743
Redemption of 1,628,533 units (2016: 1,521,455 units)	88,102	84,060
Dividend paid	-	5,683
Adamjee Life Assurance Company Limited (IMF)		
Issuance of 187,793 units (2016: 1,350,378 units)	10,000	75,000
Redemption of 187,793 units (2016: 1,727,310 units)	10,032	96,798
MCB Financial Services Limited		
Issuance of 957,643 units (2016: Nil units)	52,000	-
Redemption of 1,860,917 units (2016: Nil units)	102,200	-

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	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Adamjee Insurance Company Limited - Investment Department		
Issuance of Nil units (2016: 24,229,369 units)	-	1,315,785
Redemption of Nil units (2016: 24,229,369 units)	-	1,316,388
Adamjee Life Assurance Company Limited (ISF)		
Issuance of 751,174 units (2016: 4,750,075 units)	40,000	260,000
Redemption of 1,691,377 units (2016: 8,649,260 units)	90,466	486,227
Adamjee Life Assurance Company Limited (ISF-II)		
Issuance of 375,587 units (2016: 1,665,777 units)	20,000	92,000
Redemption of 375,587 units (2016: 3,879,116 units)	20,084	218,103
Silk Bank Limited		
Purchase of securities face value 1,950,000,000 (2016: 1,600,000,000)	1,978,053	1,603,229
Sale of securities face value 2,763,000,000 (2016: 650,000,000)	3,571,033	663,565
MCB Bank Limited		
Purchase of securities face value 600,000,000 (2016: 650,000,000)	601,812	711,956
Sale of securities face value 1,028,000,000 (2016: 2,450,000,000)	1,770,068	4,540,176
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including related taxes)	5,310	7,880
MCB Bank Limited		
Profit on bank deposits	621	3,239
Bank charges	42	87
Arif Habib Limited		
Brokerage *	4	39
Next Capital Limited		
Brokerage *	143	369
Mandate Under Discretionary Portfolio Services		
Issue of 4,939,938 units (2016: 7,214,802 units)	264,310	394,217
Redemption of 16,673,950 units (2016: 9,568,916 units)	897,323	520,274
Dividend paid	109	44,416
Key management personnel		
Issuance of 54,093 units (2016: 490,471 units)	2,888	26,435
Redemption of 52,955 units (2016: 378,018 units)	2,849	21,167
Dividend paid	30	136

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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18.2 Balance outstanding as at the year end are as follows:

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
MCB Arif Habib Savings and Investment Limited		
Management fee payable	1,080	5,179
Sales tax payable on management fee	141	725
Nil units held as at June 30, 2017 (2016: 5,859,850)	-	311,744
Sales load payable	-	596
Expense allocated by Management Company and related taxes	174	632
Legal and professional charges	-	2
Adamjee Insurance Company Limited		
Nil units held as at June 30, 2017 (2016: 54,446,348)	-	2,896,546
Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund		
Nil units held as at June 30, 2017 (2016: 1,226,452 units)	-	65,247
Adamjee Insurance Company Limited Employees Provident Fund Trust		
Nil units held as at June 30, 2017 (2016: 1,628,533)	-	86,638
Adamjee Life Assurance Company Limited (IMF)		
Nil units held as at June 30, 2017 (2016: Nil)	-	-
Adamjee Life Assurance Company Limited (ISF)		
Nil units held as at June 30, 2017 (2016: 940,203 units)	-	50,019
Adamjee Life Assurance Company Limited (ISF-II)		
Nil units held as at June 30, 2017 (2016: Nil)	-	-
Mandate Under Discretionary Portfolio Services		
47,579 units held as at June 30, 2017 (2016: 1,413,046 units)	2,528	75,174
Key management personnel		
11,048 units held as at June 30, 2017 (2016: 312,289 units)	587	16,614
Central Depository Company of Pakistan Limited		
Remuneration payable (including related taxes)	217	610
MCB Bank Limited		
Bank deposits	15,018	162,016
Profit receivable	93	577
Sales load payable	53	-
Arif Habib Limited		
Brokerage payable	-	18
Next Capital Limited		
Brokerage payable	-	74

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

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

19. FINANCIAL RISK MANAGEMENT

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

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

The Fund primarily invests in a portfolio of money market investments such as government securities and investments in other money market instruments.

19.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the SECP and the NBFC Regulations, The NBFC Rules.

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

19.1.1 Currency risk

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

19.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds fixed rate instrument in the form of government securities that expose the Fund to fair value interest rate risk.

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

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Fixed rate instruments		
Market treasury bills	970,336	5,966,048
Pakistan investment bonds	54,718	3,304,150
	1,025,054	9,270,198

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Fund does not hold any variable rate instruments and is not exposed to cash flow interest rate risk.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2017, the Fund holds Market Treasury Bills which are classified as fair value through profit or loss - held-for-trading, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2017, the net income for the year and net assets would be lower by Re.0.88 million (2016: Rs.5.74 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2017, the net income for the year and net assets would be higher by Re.0.88 million (2016: Rs.5.74 million).

As at June 30, 2017, the Fund also holds Pakistan Investment Bonds which are classified as available-for-sale, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the FMAP on June 30, 2017, the other comprehensive income for the year and net assets would be lower by Rs.1.17 million (2016: Rs.63.823 million). In case of 100 basis points decrease in rates announced by the FMAP on June 30, 2017, the other comprehensive income for the year and net assets would be higher by Rs.1.17 million (2016: Rs.66.136 million).

The composition of the Fund's investment portfolio and rates announced by the FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

June 30, 2017						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	More than three months and upto one year			Not exposed to yield / interest risk	Total	Total
	Upto three months	More than one year	More than one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	3.75 to 6.60	-	1,307,505	-	14,256	1,321,761
Investments classified:						
At fair value through profit or loss'						
- held-for-trading						
- Government securities	5.96 to 6.01	349,087	621,249	-	-	970,336
Available-for-sale						
- Government securities	9.25 to 12.00	-	-	54,718	-	54,718
Mark-up and other receivables		2,757	1,909	-	13	4,679
		351,844	1,930,663	54,718	14,269	2,351,494
Financial liabilities						
Payable to the Management Company		-	-	-	1,254	1,254
Payable to the Trustee		-	-	-	193	193
Payable against purchase of investments		-	-	-	945,695	945,695
Accrued and other liabilities		-	-	-	8,633	8,633
		-	-	-	955,775	955,775
On-balance sheet gap		351,844	1,930,663	54,718	(941,506)	1,395,719

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

June 30, 2016						
Exposed to yield / interest rate risk						
	Yield / effective interest rate (%)	More than three months and upto one year			Not exposed to yield / interest risk	Total
		Upto three months	More than one year	More than one year		
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	3.75 to 6.25	-	4,126,189	-	22,332	4,148,521
Investments classified:						
At fair value through profit or loss'						
- held-for-trading						
- Government securities	5.88 to 5.92	1,990,062	3,975,986	58,054	-	6,024,102
Available-for-sale						
- Government securities	7.75 to 12.00	-	-	3,246,096	-	3,246,096
Mark-up and other receivables		5,952	116,978	-	-	122,930
		<u>1,996,014</u>	<u>8,219,153</u>	<u>3,304,150</u>	<u>22,332</u>	<u>13,541,649</u>
Financial liabilities						
Payable to the Management Company		-	-	-	6,409	6,409
Payable to the Trustee		-	-	-	536	536
Payable against purchase of investments		-	-	-	1,990,062	1,990,062
Payable against conversion of units		-	-	-	2,769,378	2,769,378
Accrued and other liabilities		-	-	-	2,794	2,794
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,769,179</u>	<u>4,769,179</u>
On-balance sheet gap		<u>1,996,014</u>	<u>8,219,153</u>	<u>3,304,150</u>	<u>(4,746,847)</u>	<u>8,772,470</u>

19.1.3 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) 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. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

19.2 Credit Risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on loans and receivables, and balances with bank. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Market treasury bills and Pakistan investment bonds are government backed and hence considered as secured.

The Fund has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

Credit risk from balances with banks and financial institutions is managed by financial department in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2017 and June 30, 2016 is the carrying amounts of following financial assets.

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	June 30, 2017	June 30, 2016
	(Rupees in '000)	
Balances with banks	1,321,761	4,148,521
Mark-up and other receivables	4,679	122,930
	1,326,440	4,271,451

None of the financial assets were considered to be past due or impaired as on June 30, 2017.

Details of credit rating of balance with banks as at June 30, are as follows:

	Rating	June 30, 2017	June 30, 2016
Bank balances by rating category	Long-term / short-term	----- (Rupees in '000) -----	
Deposit accounts			
Habib Metropolitan Bank Limited	AA+/A1+	6,576	16,052
MCB Bank Limited	AAA/A1+	767	139,740
Faysal Bank Limited	AA/A1+	11	1,400,020
Allied Bank Limited	AA+/A1+	272,576	300,031
Bank Alfalah Limited	AA+/A1+	1,021,887	2,268,653
NIB Bank Limited	AA-/A1+	1	5
Bank Al-Habib Limited	AA+/A1+	7	7
Zarai Taraqiati Bank Limited	AAA/A1+	15	-
JS Bank Limited	AA-/A1+	5,659	-
United Bank Limited	AAA/A1+	6	1,733
		1,307,505	4,126,241
Current accounts			
MCB Bank Limited	AAA/A1+	14,251	22,275
Habib Metropolitan Bank Limited	AA+/A1+	5	5
		14,256	22,280
		1,321,761	4,148,521

The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Investment in fixed income securities

Investment in Market treasury bills and Pakistan investment bonds do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investments.

Concentration of credit risk

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

All of the Fund's concentration of credit risk at the end of financial year 2017 and 2016 are with commercial banks.

Settlement risk

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Funds. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by the SECP.

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the 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 liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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

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

	As at June 30, 2017			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	1,254	1,254	-	-
Payable to the Trustee	193	193	-	-
Payable against purchase of investments	945,695	945,695	-	-
Accrued and other liabilities	8,633	80	8,553	-
	<u>955,775</u>	<u>947,222</u>	<u>8,553</u>	<u>-</u>
	As at June 30, 2016			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	6,409	6,409	-	-
Payable to the Trustee	536	536	-	-
Payable against purchase of investments	1,990,062	1,990,062	-	-
Payable against conversion of units	2,769,378	2,769,378	-	-
Accrued and other liabilities	2,794	1,687	1,107	-
	<u>4,769,179</u>	<u>4,768,072</u>	<u>1,107</u>	<u>-</u>

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

19.4 Financial instruments by category

As at June 30, 2017, all the financial assets are 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' - held-for-trading and available-for-sale. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss' - held-for-trading.

As at June 30, 2017				
	Loans and receivables	At fair value through profit or loss' - held- for-trading	Available- for-sale	Total
----- (Rupees in '000) -----				
Assets				
Balances with banks	1,321,761	-	-	1,321,761
Investments	-	970,336	54,718	1,025,054
Mark-up and other receivables	4,679	-	-	4,679
	1,326,440	970,336	54,718	2,351,494

As at June 30, 2017			
	At fair value through profit or loss' - held- for-trading	Other financial liabilities	Total
----- (Rupees in '000) -----			
Liabilities			
Payable to the Management Company	-	1,254	1,254
Payable to the Trustee	-	193	193
Payable against purchase of investments	-	945,695	945,695
Accrued and other liabilities	-	8,633	8,633
	-	955,775	955,775

As at June 30, 2016				
	Loans and receivables	At fair value through profit or loss' - held- for-trading	Available- for-sale	Total
----- (Rupees in '000) -----				
Assets				
Balances with banks	4,148,521	-	-	4,148,521
Investment	-	6,024,102	3,246,096	9,270,198
Mark-up and other receivables	122,930	-	-	122,930
	4,271,451	6,024,102	3,246,096	13,541,649

As at June 30, 2016			
	At fair value through profit or loss' - held- for-trading	Other financial liabilities	Total
----- (Rupees in '000) -----			
Liabilities			
Payable to the Management Company	-	6,409	6,409
Payable to the Trustee	-	536	536
Payable against purchase of investments	-	1,990,062	1,990,062
Payable against conversion of units	-	2,769,378	2,769,378
Accrued and other liabilities	-	2,794	2,794
	-	4,769,179	4,769,179

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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20. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyse financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	As at June 30, 2017			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Market treasury bills	-	970,336	-	970,336
	-	970,336	-	970,336
Financial assets classified as 'available-for-sale'				
Pakistan investment bonds	-	54,718	-	54,718
	-	1,025,054	-	1,025,054

	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Pakistan investment bonds	-	58,054	-	58,054
Market treasury bills	-	5,966,048	-	5,966,048
	-	6,024,102	-	6,024,102
Financial assets classified as 'available-for-sale'				
Pakistan investment bonds	-	3,246,096	-	3,246,096
	-	9,270,198	-	9,270,198

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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21. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

22. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

22.1 Pattern of unit holding

Details of pattern of unit holding

	As at June 30, 2017			Percentage Investment
	Number of unit holders	Number of Units held	Investment Amount	
	----- (Rupees in '000) -----			
Individuals	633	13,848,788	735,786	54.45%
Retirement funds	19	4,856,479	258,025	19.09%
Public limited companies	6	4,753,085	252,531	18.69%
Others	8	1,977,346	105,043	7.77%
	666	25,435,698	1,351,385	100.00%

Details of pattern of unit holding

	As at June 30, 2016			Percentage Investment
	Number of unit holders	Number of unit holders	Investment Amount	
	----- (Rupees in '000) -----			
Individuals	1,077	44,745,301	2,380,450	27.39%
Associated companies	6	65,004,660	3,458,248	39.79%
Insurance companies	5	6,547,669	348,336	4.00%
Retirement funds	57	16,136,321	858,452	9.88%
Public limited companies	22	16,565,490	881,284	10.14%
Others	15	14,364,022	764,498	8.80%
	1,182	163,363,463	8,691,268	100.00%

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22.2 Top ten brokers / dealers by percentage of commission paid

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

	June 30, 2017 Percentage
1 Invest Capital Markets Limited	33.42%
2 EFG Hermes Pakistan Limited	9.38%
3 Magenta Capital (Private) Limited	7.44%
4 Js Global Capital Limited	6.58%
5 BMA Capital Management Limited	5.83%
6 Paramount Capital (Private) Limited	5.61%
7 Next Capital Limited	5.05%
8 C And M Management (Private) Limited	4.23%
9 Icon Securities (Private) Limited	3.88%
10 Summit Capital (Private) Limited	3.17%
	June 30, 2016 Percentage
1 Invest And Finance Securities Limited	18.16%
2 Invest One Markets Private Limited	13.82%
3 JS Global Capital Limited	13.36%
4 BMA Capital Management Limited	13.05%
5 Next Capital Limited	12.69%
6 C And M Management (Private) Limited	4.78%
7 Magneta Capital (Private) Limited	3.93%
8 KASB Securities Limited	3.90%
9 Vector Capital (Private) Limited	3.49%
10 Icon Securities (Private) Limited	2.15%

22.3 Attendance at meetings of the Board of Directors

During the year, 126th, 127th, 128th, 129th, 130th, 131st, 132nd, and 133rd Board meetings 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 Directors in the meetings is given below:

Name of persons attending the meetings	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mian Muhammad Mansha	8	1	7	126th, 128th, 129th, 130th, 131st, 132nd, 133rd
Nasim Beg	8	6	2	127th, 130th
Muhammad Saqib Saleem	8	8	-	-
Salman Shah	8	7	1	126th
Haroon Rashid	8	2	6	126th, 127th, 128th, 130th, 131st, 132nd
Ahmed Jahangir	8	8	-	-
Samad A. Habib	8	5	3	128th, 129th, 131st
Mirza Mehmood	8	1	4	130th, 131st, 132nd, 133rd
Mirza Qamar Beg	8	3	-	-

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

22.4 Particulars of investment committee and fund manager

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

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	20
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	14
Mr. Saad Ahmed	Portfolio Manager – Fixed Income	MBA	12
Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	MA,CFA Level I	13
Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	6

22.5 Other funds managed by the fund manager

Mr. Saad Ahmed

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

- MCB DCF Income Fund;
- MCB Cash Management Fund;
- MCB Cash Management Optimizer; and
- MCB Pakistan Income Enhancement Fund

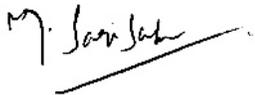
23. GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

24. 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 Holders	Units
Associated Companies, undertakings and related Parties	-	-
Mutual Funds	-	-
Directors and their spouse (s) and minor children		
Executives	1	11,048
Public sector companies and corporations	-	-
Banks, Development Finance Instituitios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	20	4,862,795
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	645	20,561,855
	666	25,435,698

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

No. of Unit Holder	Unit holdings	Total Units Held
381	1-10000	1,386,316
251	10001-100000	8,465,197
31	100001-1000000	8,116,027
3	1000001 onwards	7,468,159
666		25,435,698

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

Performance Information	2017	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	1,351	8,691	3,193	2,496	1,270
Net Assets value per unit – Rupees	53.13	53.20	53.06	50.04	51.38
Closing Offer Price	54.03	54.28	54.18	51.07	52.29
Closing Repurchase Price	53.13	53.20	53.06	50.04	51.38
Highest offer price per unit	57.20	57.95	59.23	53.15	53.36
Lowest offer price per unit	53.96	54.13	51.08	50.44	50.16
Highest Redemption price per unit	56.25	56.80	58.04	52.08	52.56
Lowest Redemption price per unit	53.06	53.06	50.06	49.98	50.07
Distribution per unit – Rs. *	3.20	3.74	5.25	4.45	5.71
Average Annual Return - %					
One year	5.89	7.30	16.58	9.26	12.30
Two year	6.60	11.94	12.92	10.78	11.80
Three year	9.92	11.05	12.714	10.954	11.633
Net Income for the year – Rs. in million	56.97	86.29	273.95	119.89	594.61
Distribution made during the year – Rs. in million	62.21	141.23	119.58	151.95	562.23
Accumulated Capital Growth – Rs. in million	(5)	(55)	154	(32)	32
Weighted average Portfolio Duration (days)	65	347	730	438	63

*** Date of Distribution**

2017	
Date	Rate
June 22, 2017	3.20

2016	
Date	Rate
June 25, 2016	3.735

2015	
Date	Rate
June 25, 2015	5.25

2014	
Date	Rate
September 27, 2013	0.53
December 27, 2013	0.96
March 27, 2014	2.04
June 27, 2014	0.92

2013	
Date	Rate
September 27, 2012	1.53
December 26, 2012	2.05
March 26, 2013	0.75
July 04, 2013	1.38

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,
URL: www.mcbah.com, Email: info@mcbah.com