



Aam key Aam Guthliyon key Daam

MCB

DCF INCOME FUND

MCB-Arif Habib Savings and Investments Limited

Rated: 'AM2++' by PACRA

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Vision

To become synonymous with Savings.

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 ++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

On behalf of the Board of Directors, I am pleased to present **MCB DCF Income Fund** (Formerly: MCB Dynamic Cash Fund) accounts review for the year ended June 30th, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

Economic trajectory kept on improving with each passing month of this year. The blessing in disguise came from further plunge in oil prices, which succumbed to expanding supply glut lead by weaker global demand, increase inflows from Iran post removal of sanctions and resilience of shale producers. The lower oil prices helped curtail the inflationary pressures along with the import bill. However, exports kept on falling amid stiff competition and weak demand outlook.

Inflation during the outgoing year continued to remain benign triggered by subdued oil prices and higher base effect of last year. Inflation averaged around 2.85% for the year whereas, average for first half of the year remained close to 2%. Despite the withering of the low base effect from 3QFY16, inflationary pressures remained well anchored supported by dip in oil prices in 3QFY16 and government's decision to defer the increase in prices of petroleum products along with recovery in crude.

Exports continued to remain problematic for balance of payments position over the year decreasing by ~9% relative to last year. Lower commodity prices induced by weak global demand, slowdown in target markets and relatively unfavorable rupee-dollar parity versus competitors continued to cause worries for the current account position. Adding to trade deficit imports reduced only be about 3.5% as benefit of lower oil prices was offset by higher import of machinery for power while significantly lower cotton production also had to be filled in with imports. Remittances though remained resilient to weak economic outlook of gulf economies posting an increase of ~6%. Balance of Payment position however closed on in net surplus of USD 1.05 billion through external borrowings and disbursements from multilateral agencies.

The industrial growth picked up during the year with Large Scale Manufacturing index posting an increase of 3.26% YoY (July-May 2016). The noteworthy contribution came from autos, cement, power and consumer segment.

On the fiscal front, the government managed to contain the fiscal deficit at 4.3% of GDP in the FY16 against 5.3% in FY15. The Government is targeting FY17 deficit of 3.8% of GDP.

The monetary policy committee decreased the policy rate by a cumulative 75 bps during the fiscal year. Status quo was kept after reducing 50 bps in September for 6 months. Despite, the monetary policy board maintaining a cautious view relative to remittances, reversal in oil prices, non-oil imports and foreign market considerations, the monetary policy board decided to reduce policy rate by 25 bps in May.

Positive balance of foreign flows, improved external account outlook and strong foreign exchange reserves balance of near USD 23 billion along with strict vigilance of SBP kept the rupee relatively stable during the year.

M2 growth gained traction with FY16 growth of 13.67%. Net Domestic Assets, supported by increase net non-government borrowing of PKR 267 billion, increased by PKR 253 billion.

State Bank of Pakistan conducted Ijara Sukuk auction based on fixed rate rental arrangement providing yields of 6.10% and 5.59% in the successive auctions allowing comparatively lucrative avenue for Islamic financial industry.

Yield Curve shifted downward further which remains more influenced by outlook for improved fiscal deficit, better foreign inflows, issuance of Ijara Sukuk (near Rs. 200 Billion) and liquidity pressure after maturity of PIBs worth ~PKR 1.4 trillion.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.23% as against its benchmark return of 7.01%. Fund's WAM was increased from 2.2 YTM to 2.8 YTM because of declining interest rate outlook during the year. The fund allocation remained notably in PIBs, TFCs and Cash at the end of the period under review. At period-end, the fund was 27.8% in TFCs, 27.6% in Cash, 22.3% invested in PIBs, 9.2% in T-Bills and 5.6% in TDRs.

The Net Assets of the Fund as at June 30, 2016 stood at Rs.6,849 million as compared to Rs.11,273 million as at June 30 2015 registering an decrease of 39.24%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs.106.0443 as compared to opening NAV of Rs.105.6002 per unit as at June 30, 2015 registering an increase of Rs.0.4441 per unit.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

FUTURE OUTLOOK

Given current global economic environment, the local economic scorecard is expected to remain stable. The oil prices are expected to remain range bound with refineries having ample stock piles of petroleum products, increase in rig counts along with recovery in oil prices, along with low probability of major oil producers reaching any agreement to curtail supply. The weak global outlook evident from slow down in China, Bank of Japan and European Central Bank adopting negative interest rates is also a concern for the commodities market along with global uncertainty after Britain exited European Union. The weak global commodity outlook would keep import bill on the lower end, but as a result recovery in exports may also be delayed.

The average Consumer Price Index is expected to remain below 5% for the year. Whereas, stability in oil prices & exchange rate would allow inflation over the first half to remain well anchored around 4% thus framework remains favorable for a stable monetary policy environment with room for easing subject to stability on external front.

Fiscal deficit is expected to remain controlled and progressive upward economic growth targets appear achievable with enough room for the government to bring required structural changes in the economy. The incumbent government's aggressive plans for power sector would also weigh on the import bill with extensive import of power machinery keeping current account in check.

The Pakistani rupee is expected to show further resilience backed by strong foreign inflows lined up for next year. Risks to external account remain high as the major support in balance of payment account is through flows that are uncertain and self fulfilling as they are also contingent upon favorable external account environment.

The macro stability along with China Pakistan Economic Corridor is expected to provide impetus to the construction and power space. Furthermore, expansionary cycle along with stable interest rate environment is expected to provide better global positioning compared with other emerging market economies. Construction and steel sector is expected to remain the proxy for infrastructure led economic growth. Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight with stability in interest rates along with growth in advances and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets index would provide impetus for foreign flows into KSE-100 index and would lead to re-rating of market towards higher multiples.

Corporate Governance

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

with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly the state of affairs, the results of operations, cash flows and changes in unit holders' fund.
- b. Proper books of accounts of the fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. During the year Chief Executive Officer has attended the Directors' Training Program organized by the Institute of Chartered Accounts in Pakistan. (All other the directors have completed the course or they are exempted from attending training course due to sufficient working experience.)
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in note 23 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2016:

1. Meeting of the Audit Committee.

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

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1 Mr. Haroun Rashid (Chairman)	4	4	4	-
2 Mr. Samad A. Habib	4	4	3	1
3 Mr. Ahmed Jahangir	4	4	4	-
4 Mr. Nasim Beg*	-	-	-	-

- With effect from April 18, 2016, he was added as a member of the Audit Committee after which no meeting of the Audit Committee was held during the year.

2. Meeting of the Human Resource and Remuneration Committee.

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

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1 Dr. Syed Salman Shah	6	6	6	-
2 Mr. Nasim Beg	6	6	5	1
3 Mr. Ahmed Jahangir	6	6	5	1
4 Mr. Haroun Rashid	6	6	3	3
5 Mr. Yasir Qadri *	2	2	2	-
6 Mr. Muhammad Saqib Saleem **	1	1	1	-

* Resigned from the post of CEO after 2nd meeting.

** Attended 6th meeting as Acting CEO.

REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2016

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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	-	-	-
2	Muhammad Asif Mehdi Rizvi	Chief Financial Officer	90,365.22	93,301.59	-
3	Abdul Basit	Company Secretary	1,823.83	1,823.83	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-

External Auditors

The fund's external auditors, Ernst & Young Ford Rhodes Sidat Hyder, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2017. The audit committee of the Board has recommended reappointment of Ernst & Young Ford Rhodes Sidat Hyder as auditors of the fund for the year ending 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
August 05, 2016

ڈائریکٹرز رپورٹ

نمبر شمار	نام	عہدہ	سرمایہ کاری	Redemption	ڈیویڈنڈ کی تقسیم
					یونٹس کی تعداد
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	-	-
2.	محمد آصف مہدی رضوی	چیف فنانشل آفیسر	90,365.22	93,301.59	-
3.	عبدالباسط	کمپنی سیکرٹری	1,823.83	1,823.83	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”ارنسٹ اینڈ یوگ فورڈ رھوڈز سداٹ حیدر“ نے 30 جون 2016ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2016ء کو ختم ہونے والے سال کے لئے ارنسٹ اینڈ یوگ فورڈ رھوڈز سداٹ حیدر کو فنڈ کے آڈیٹرز کے طور پر دوبارہ مقرر کرنے کی سفارش کی ہے۔

اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز 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،



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر

05 اگست 2016ء

ڈائریکٹر رپورٹ

1. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	4	4	4	1. جناب ہارون رشید (چیرمین)
1	3	4	4	2. جناب صدائے حبیب
-	4	4	4	3. جناب احمد جہانگیر
-	-	-	-	4. جناب نسیم بیگ *

* آپ کو 18 اپریل 2016ء کو آڈٹ کمیٹی کے رکن کی حیثیت سے شامل کیا گیا جس کے بعد آڈٹ کمیٹی کی کوئی میٹنگ نہیں ہوئی۔

2. ہیومن ریسورس اینڈ رمیونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیونریشن کمیٹی کی چھ (06) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	6	6	6	1. جناب سید سلمان شاہ
1	5	6	6	2. جناب نسیم بیگ
1	5	6	6	3. جناب احمد جہانگیر
3	3	6	6	4. جناب ہارون رشید
-	2	2	2	5. جناب یاسر قادری *
-	1	1	1	6. جناب محمد ثاقب سلیم **

* دوسری میٹنگ کے بعد سی ای او کے عہدے سے مستعفی ہو گئے۔

** چھٹی میٹنگ میں قائم مقام سی ای او کے طور پر شرکت کی۔

n. دوران سال فنڈ کے یونٹس کی خرید و فروخت مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسرز، چیف آپریٹنگ آفیسر اور کمپنی سیکرٹری، چیف فنانشل آفیسر اور چیف انٹرل آڈیٹر دوران کے شوہر ا کی بیوی اور نابالغ بچوں نے کی۔

ڈائریکٹر رپورٹ

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور یونٹ ہولڈرز کے فنڈ میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

b. فنڈ کی درست بگس آف اکاؤنٹس تیار کی گئی ہیں۔

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

d. 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 (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Bینکنگ فنانس اینڈ نوٹیفائیڈ انڈسٹریز ریگولیشنز، 2008ء، متعلقہ ڈسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرل 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۔

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

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

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

i. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) لمحہ آؤٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

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

k. دوران سال دی انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منعقدہ ڈائریکٹر تربیتی پروگرام میں چیف ایگزیکٹو آفیسر نے شرکت کی۔ (باقی تمام ڈائریکٹر تربیتی کورس مکمل کر چکے ہیں، یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔)

l. این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی pattern مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹر کی میٹنگ میں حاضری کی تفصیلات لمحہ مالیاتی گوشواروں کے نوٹ 23 میں پیش کی گئی ہیں۔ 30 جون 2016ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

ڈائریکٹر رپورٹ

اور اس میں کسی عنصر کو بیرونی جہت میں مستحکم کرنے کی گنجائش موجود ہے۔

مالیاتی خسارہ متوقع طور پر قابو میں رہے گا اور ترقی کے مثبت اہداف قابل حصول نظر آ رہے ہیں، اور حکومت کے پاس معیشت میں ساخت سے متعلق مطلوبہ تبدیلیاں لانے کی گنجائش موجود ہے۔ علاوہ ازیں، بجلی کے شعبے کے لئے حکومت کے ناگزیر متحرک منصوبے درآمداتی بل پر بوجھ ڈالیں گے اور بجلی کی مشینری کی بڑے پیمانے پر درآمد سے کرنٹ اکاؤنٹ قابو میں رہے گا۔

پاکستانی روپیہ متوقع طور پر مزید چمک کا مظاہرہ کرے گا کیونکہ اسے اگلے سال بھر پور غیر ملکی آمدات کی پشت پناہی حاصل ہوگی۔ ایکسٹرنل اکاؤنٹ کے خطرات بدستور بلند ہیں کیونکہ ادائیگیوں کے توازن کے اکاؤنٹ میں بڑی مدد آمدات سے ہوتی ہے، جو غیر یقینی اور ناگزیر ہیں، جس کی ایک وجہ یہ بھی ہے کہ وہ بیرونی اکاؤنٹ کے موافق ماحول پر منحصر ہیں۔

مجموعی استحکام اور اس کے ساتھ ساتھ چین پاکستان معاشی راہداری متوقع طور پر تعمیر اور بجلی کے شعبے میں تیزی لائیں گے۔ علاوہ ازیں، توسیعی چکر اور اس کے ساتھ ساتھ انٹریسٹ کی شرح کے مستحکم ماحول سے دیگر اُبھرتی ہوئی مارکیٹ کی معیشتوں کے مقابلے میں عالمی سطح پر بہتر درجہ بندی متوقع ہے۔ تعمیر اور اسٹیل کے شعبے متوقع طور پر انفراسٹرکچر پر مبنی معاشی ترقی کے متبادل بنے رہیں گے۔ تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر انٹریسٹ کی شرح میں استحکام اور ایڈوانسز میں اضافے کے سبب منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی نظریں ہیں۔ اُبھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے PSX-100 انڈیکس میں تیزی آسکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے، اور مینجمنٹ کمپنی کا بورڈ آف ڈائریکٹرز عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق کی بہترین طریقوں سے متعلق شقوق، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو بالتفصیل واضح کیا گیا ہے۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے منافع کے متعین کردہ معیار 7.01% کے بالمقابل 6.23% سالانہ منافع کمایا۔ فنڈ کا WAM دوران سال انٹریسٹ کی گرتی ہوئی شرحوں کے باعث 2.2 YTM سے بڑھ کر 2.8 YTM ہو گیا۔ زیر جائزہ مدت کے اختتام پر فنڈ کا بڑا حصہ PIBs، TFCs اور نقد میں مختص تھا۔ اختتام مدت پر فنڈ کی TFCs میں 27.8%، نقد میں 27.6%، PIBs میں 22.3%، T-بلوں میں 9.2% اور TDRs میں 5.6% سرمایہ کاری تھی۔

30 جون 2016ء کو فنڈ کے net اثاثے 6,849 ملین روپے تھے جبکہ 30 جون 2015ء کو 11,273 ملین روپے تھے، جو 39.24% کمی ہے۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 106.0443 روپے تھی جبکہ 30 جون 2015ء کو 105.6002 روپے فی یونٹ تھی، جو 0.4441 روپے فی یونٹ اضافہ ہے۔

مستقبل کی صورتحال

موجودہ عالمی معاشی ماحول کو دیکھتے ہوئے مقامی معاشی صورتحال متوقع طور پر مستحکم رہے گی۔ تیل کی قیمتیں آئل ریفائنریز میں پٹرول کی مصنوعات کے خاطر خواہ اسٹاک، rig کی تعداد میں اضافے اور تیل کی قیمتوں کی وصولی کی وجہ سے متوقع طور پر قابل رسائی رہیں گی، اور اس وجہ سے بھی کہ اس بات کی توقع بہت کم ہے کہ بڑے آئل پروڈیوسرز رسد کو کم کرنے کے مقصد سے کوئی معاہدہ کریں گے۔ چین میں مندی سے کمزور عالمی صورتحال کی عکاسی ہوتی ہے، اور بینک آف جاپان اور یورپین سینٹرل بینک کا انٹریسٹ کی منفی شرحیں اختیار کرنا بھی اشیاء کی مارکیٹ کے لئے ایک تشویش ناک امر ہے، اور اس کے ساتھ ساتھ برطانیہ کے یورپی یونین کو خیر باد کہہ دینے کے بعد عالمی سطح پر غیر یقینی صورتحال۔ عالمی سطح پر اشیاء کی کمزور صورتحال کے باعث درآمداتی بل کمزور رہے گا لیکن اس کے نتیجے میں برآمدات کی وصولی بھی تاخیر کا شکار ہو سکتی ہے۔

سال مذکورہ کا اوسط کنزیومر پرائس انڈیکس متوقع طور پر 5% سے کم رہے گا۔ جبکہ تیل قیمتوں اور زر مبادلہ کی شرح میں استحکام کی بدولت افراط زر پہلی ششماہی میں تقریباً 4% کی سطح پر قابو میں رہے گی، چنانچہ ایک مستحکم مانیٹری پالیسی کے ماحول کے لئے فریم ورک موافق ہے

ڈائریکٹر رپورٹ

صنعتی ترقی میں اس سال تیزی آئی جیسا کہ بڑے پیمانے پر مینوفیکچرنگ کے انڈیکس میں 3.26% YoY (جولائی - مئی 2016ء) اضافے سے ظاہر ہے۔ گاڑیوں، سیمنٹ، بجلی اور صارفین کے شعبوں نے قابل ذکر کردار ادا کیا۔

مالیاتی میدان میں حکومت نے مالی سال 2016ء میں مالیاتی خسارے کو مجموعی ملکی پیداوار (GDP) کے 4.3% (بالمقابل 5.3% برائے مالی سال 2015ء) سے آگے بڑھنے نہیں دیا۔ حکومت کا ہدف ہے کہ مالی سال 2017ء میں یہ خسارہ GDP کے 3.8% تک کم کیا جائے۔

مانیٹری پالیسی کمیٹی نے اس سال پالیسی کی شرح کو مجموعی طور پر 75 bps کم کیا۔ ستمبر میں 6 ماہ کے لئے 50 bps کم کرنے کے بعد موجودہ صورتحال برقرار رکھی گئی۔ اس کے باوجود مانیٹری پالیسی بورڈ نے ترسیل زر، تیل کی قیمتوں میں دوبارہ کمی، تیل کے علاوہ دیگر اشیاء کی درآمدات اور غیر ملکی مارکیٹ کے معاملات سے متعلق محتاط رویہ اختیار کرتے ہوئے مئی میں پالیسی کی شرح کو 25 bps کم کرنے کا فیصلہ کیا۔

غیر ملکی آمدورفت کے مثبت توازن، ایکسٹرنل اکاؤنٹ کی بہتر صورتحال اور تقریباً 23 بلین ڈالر کے زیر مبادلہ کے مضبوط ذخائر، اور اس کے ساتھ ساتھ اسٹیٹ بینک آف پاکستان کی کڑی نگرانی نے دوران سال روپے کو مستحکم رکھا۔

مالی سال 2016ء کی 13.67% ترقی کے ساتھ M2 ترقی نے زور پکڑا۔ Net غیر حکومتی قرض کے حصول میں 267 بلین روپے اضافے کی مدد سے Net مقامی اثاثہ جات میں 253 بلین روپے اضافہ ہوا۔

اسٹیٹ بینک آف پاکستان نے طے شدہ کرائے کے طریقے پر مبنی اجارہ سسٹم نیلامی منعقد کی، اور اس کے بعد ہونے والی نیلامیوں میں 6.10% اور 5.59% آمدنی ہوئی جس سے اسلامی مالیاتی صنعت کے لئے نسبتاً منافع بخش راہ ہموار ہوئی۔

نہم پیداوار مزید جھک گیا جس پر بنیادی اثر مالیاتی خسارے کی بہتر صورتحال، بہتر غیر ملکی آمدات، اجارہ سسٹم کے اجراء (تقریباً 200 بلین روپے) اور 1.4 ٹریلین روپے مالیت کی PIBs کی maturity کے بعد liquidity کے دباؤ کا ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی DCF انکم فنڈ (سابقہ: ایم سی بی ڈائریکٹ کیش فنڈ) کے 30 جون 2016ء کو ختم ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا مجموعی جائزہ

اس سال ہر گزرتے مہینے کے ساتھ معاشی صورتحال بہتر ہوتی گئی۔ اس پر مزید خوش آئند بات یہ ہوئی کہ تیل کی گرتی ہوئی عالمی مانگ، ایران میں پابندیاں ختم ہونے کے بعد وہاں سے رسد میں اضافے اور shale بنانے والوں کی چمک کے باعث رسد میں غیر ضروری اضافہ ہو گیا اور تیل کی قیمتیں گر گئیں، جس کے سبب افراط زر کے دباؤ اور درآمداتی بل میں بھی کمی ہوئی۔ تاہم کڑی مسابقت اور کمزور مانگ کی وجہ سے برآمدات مسلسل کم ہوتی چلی گئیں۔

تیل کی گری ہوئی قیمتوں اور گزشتہ سال کے بڑھے ہوئے base effect کی وجہ سے افراط زر اس سال بھی موافق رہی۔ افراط زر کا سال بھر کا اوسط تقریباً 2.85% ہے، جبکہ پہلی ششماہی میں تقریباً 2% تھا۔ مالی سال 2016ء کی تیسری سہ ماہی سے پست base effect کے موہوم ہو جانے کے باوجود افراط زر کے دباؤ قابو میں رہے جس میں تیل کی قیمتوں میں کمی اور پٹرولیم مصنوعات کی قیمتوں میں اضافے کو ملتی کرنے کے حکومتی فیصلے اور اس کے ساتھ ساتھ خام تیل کی وصولی کی معاونت شامل تھی۔

دوران سال برآمدات میں گزشتہ سال کے مقابلے میں 9% کمی ہوئی اور ادائیگیوں کے توازن کی صورتحال بدستور مشکلات کا شکار رہی۔ عالمی سطح پر اشیاء کی کمزور مانگ، مطلوبہ مارکیٹس میں سست روی اور حریفوں کے مقابلے میں روپے اور ڈالر کے نسبتاً غیر موافق توازن کے باعث اشیاء کی پست قیمتوں سے کرنٹ اکاؤنٹ کی صورتحال بدستور تشویش ناک رہی۔ درآمدات میں صرف تقریباً 3.5% کمی نے تجارتی خسارے میں اضافہ کیا کیونکہ تیل کی کم قیمتوں کا مثبت اثر بجلی کے لئے مشینری کی درآمد میں اضافے سے زائل ہو گیا جبکہ کپاس کی بہت کم پیداوار کی وجہ سے پیدا ہونے والے خلاء کو بھی درآمدات سے پُر کرنا پڑا۔ تراسیل زر خلیجی معیشتوں کی کمزور معاشی صورتحال کے مطابق لچکدار رہیں اور ان میں 6% کا اضافہ ہوا۔ تاہم ادائیگیوں کے توازن کی حتمی صورتحال بیرونی قرضوں کے حصول اور کثیرالچہتی ایجنسیوں سے فراہمیوں کے ذریعے 1.05 بلین USD فاضل پر تھی۔

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016

Fund Type and Category

MCB DCF Income Fund (MCB DCFIF) is an open-end Income scheme, which falls under the category of Income Scheme.

Fund Benchmark

The benchmark for MCB DCFIF is 75% 6 Months KIBOR + 25% 6 Months PKRV.

Investment Objective

To deliver superior fixed income returns by investing in an optimal mix of authorized debt instruments while taking into account capital security and liquidity consideration.

Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in medium to long term assets. The fund may also invest a portion of the Fund in money market and short term instruments in order to provide liquidity to Unit Holders at the same time.

Manager's Review

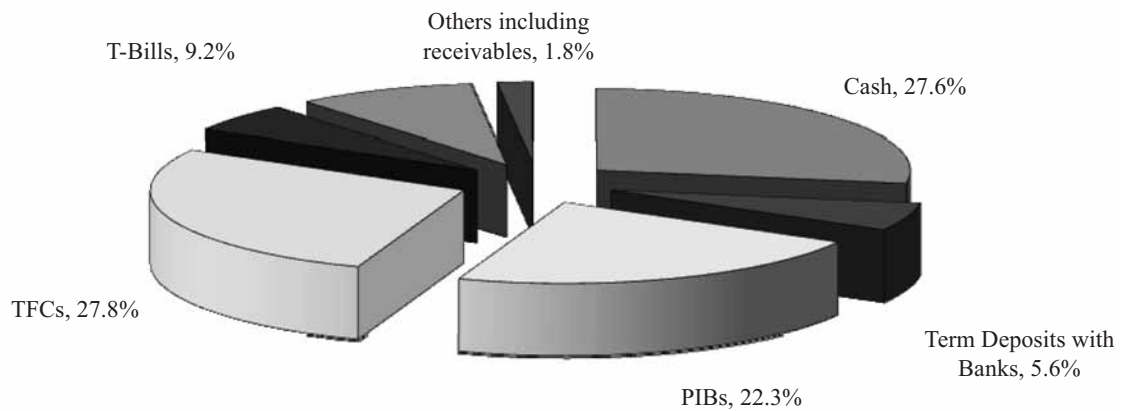
During the period under review, the fund generated an annualized return of 6.23% as against its benchmark return of 7.01%. Fund's WAM was increased from 2.2 YTM to 2.8 YTM because of declining interest rate outlook during the year. The fund allocation remained notably in PIBs, TFCs and Cash at the end of the period under review. At period-end, the fund was 27.8% in TFCs, 27.6% in Cash, 22.3% invested in PIBs, 9.2% in T-Bills and 5.6% in TDRs.

The Net Assets of the Fund as at June 30, 2016 stood at Rs.6,849 million as compared to Rs.11,273 million as at June 30 2015 registering an decrease of 39.24%.

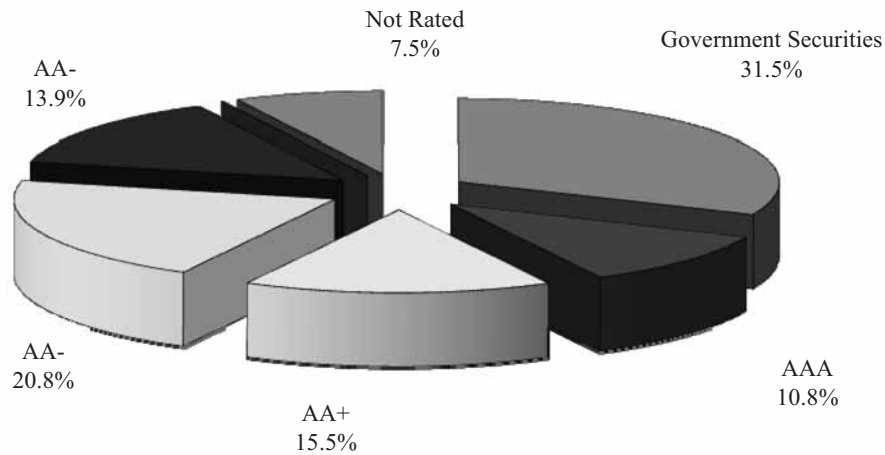
The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs.106.0443 as compared to opening NAV of Rs.105.6002 per unit as at June 30, 2015 registering an increase of Rs.0.4441 per unit.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016

Asset Allocation as on June 30, 2016 (% of total assets)



Asset Quality as of June 30, 2016 (% of total assets)



Mr. Saad Ahmed
Fund Manager

Karachi: August 05, 2016

**TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2016**

**CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED**

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 in accordance with the provisions of the following:

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


Muhammad Hanif Jakhura
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 9, 2016



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 30 JUNE 2016

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

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

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

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, a casual vacancy occurring on January 04, 2016 consequent to the resignation of the former Chief Executive Officer of the Company was filled up by the directors the same day through the appointment of Mr Muhammad Saqib Saleem.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. The Board has also approved the appointment, remuneration and terms and conditions of appointment of the Chief Executive Officer.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, the Chief Executive Officer of the Management Company and an independent director attended directors' training programs conducted by the Institute of Chartered Accountants of Pakistan (ICAP). All the remaining directors on the Board already possess the required training or qualification and experience as required by the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Management Company for the year ended June 30, 2016 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 30 JUNE 2016

12. The financial statements were duly endorsed by the Chief Executive Officer and the Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the fund other than that disclosed in the pattern of unit holding.
14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises four members who are non-executive directors and the chairman of the committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom four are non-executive directors including the chairman of the committee, who is also an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the fund and the Management Company.
19. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done by the board in the meeting held on August 05, 2016.
20. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares/units of the Management Company/Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net assets value of the fund/market price of the Management Company's shares, was determined and intimated to directors, employees and the stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer

Karachi: August 05, 2016

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



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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 DCF Income Fund, for the year ended 30 June 2016 to comply with the requirements of Regulation No. 5.19.23 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 2016.

Chartered Accountants

Karachi

Date: 05 August 2016

A member firm of Ernst & Young Global Limited

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2016



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **MCB DCF Income Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2016**, 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.

EY

A member firm of Ernst & Young Global Limited

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2016**



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 2016 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.

Erfan Rhodes

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 05 August 2016

Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
ASSETS			
Balances with banks	5	2,130,877	2,327,525
Investments	6	5,446,142	8,932,479
Mark-up and other receivables	7	128,824	374,991
Fair value of derivative asset		5,855	-
Advances, deposits and prepayments	8	4,284	3,494
Total assets		7,715,982	11,638,489
LIABILITIES			
Payable to the Management Company	9	12,213	34,095
Payable to the Trustee	10	681	863
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	11	8,712	9,620
Payable against redemption of units		9,332	25,844
Payable against purchase of investments (Money Market)		497,520	-
Payable against purchase of investments (Equity)		43,056	-
Accrued and other liabilities	12	295,796	295,261
Total liabilities		867,310	365,683
NET ASSETS		6,848,672	11,272,806
Unit holders' fund (as per statement attached)		6,848,672	11,272,806
Contingencies and commitments	13		
		---- (Number of units) ----	
NUMBER OF UNITS IN ISSUE		64,583,116	106,749,897
		----- (Rupees) -----	
NET ASSET VALUE PER UNIT		106.0443	105.6002

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


Chief Executive Officer

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


Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
INCOME			
Profit on bank deposits and term deposit receipts		103,694	102,604
At fair value through profit or loss' - held-for-trading			
- Income from term finance certificates		175,779	210,773
- Income from government securities		157,176	516,842
- Dividend income from equity securities		7,832	5,014
- Net unrealised appreciation in the value of investment	6.4.3	3,461	13,778
- Net unrealised appreciation on derivatives		5,855	-
- Net gain on sale of investments		28,682	258,442
- Income from spread transactions	6.2.1	3,966	10,472
		382,751	1,015,322
Available-for-sale investments			
- Income from government securities		554,327	523,044
- Net gain on sale of investments		61,672	81,937
		615,999	604,982
Other income		1,390	872
Total income		1,103,834	1,723,779
Provision against debt securities		(18,630)	(9,468)
EXPENSES			
Remuneration of the Management Company		174,235	192,394
Sales tax and Federal excise duty on management fee	14	56,173	64,260
Remuneration of the Trustee		9,732	10,579
Sales tax on trustee fee		1,361	-
Annual fee to SECP		8,712	9,620
Expenses allocated by Management			
Company and related taxes		7,279	-
Brokerage and settlement charges		8,926	4,425
Auditors' remuneration	15	877	766
Legal and professional charges		2,084	-
Bank charges		825	466
Provision for Workers' Welfare Fund	12.1	-	22,546
Others		625	601
Total expenses		270,829	305,657
Net income from operating activities		833,005	1,418,122
Element of loss and capital losses included in the prices of units sold less those in units redeemed			
- from realised / unrealised capital loss		(76,656)	(72,861)
- from other loss		(323,063)	(231,023)
		(399,719)	(303,884)
Net income for the year before taxation		414,656	1,104,770
Taxation	16	-	-
Net income for the year after taxation		414,656	1,104,770

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



 Chief Executive Officer

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



 Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015 ----- (Rupees in '000) -----
Net income for the year after taxation	414,656	1,104,770
Other comprehensive income:		
To be reclassified to profit or loss account in subsequent periods		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(100,373)	112,205
Other comprehensive (loss) / income for the year	<u>(100,373)</u>	<u>112,205</u>
Total comprehensive income for the year	<u><u>314,283</u></u>	<u><u>1,216,975</u></u>

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



Chief Executive Officer

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



Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Undistributed income brought forward comprises of:		
- Realised income	494,188	13,778
- Unrealised income	13,778	104,087
Undistributed income brought forward - net	507,966	117,865
Interim distribution:		
- Cash distribution: for the year ended June 30, 2016 declared on June 27, 2016 of Rs.6.15 per unit	(365,801)	
- Cash distribution: For the year ended June 30, 2015 declared on June 22, 2015 at Rs.7.27 per unit	-	(635,105)
- Cash distribution: For the year ended June 30, 2015 declared on June 23, 2015 at Rs.1.00 per unit	-	(92,359)
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(155,932)	12,795
Net income for the year	414,656 (107,077)	1,104,770 390,101
Undistributed income carried forward	400,889	507,966
Undistributed income carried forward comprises of:		
- Realised income	397,428	494,188
- Unrealised income	3,461	13,778
	400,889	507,966

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


 Chief Executive Officer


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


 Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
Net assets at beginning of the year	11,272,806	11,101,985
Issue 87,708,783 units (2015: 130,471,848 units)	9,261,155	14,013,248
Redemption of 129,875,564 units (2015: 133,530,559 units)	(14,033,490)	(14,635,822)
	(4,772,335)	(622,574)
	6,500,471	10,479,411
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 loss	76,656	72,861
- from other loss	323,063	231,023
- amount representing unrealised loss / (income) and capital losses / (gains) that forms part of the unit holders' fund transferred to Distribution Statement	155,932	(12,795)
	555,651	291,089
Net income for the year transferred from the distribution statement		
Capital gain on sale of investments	61,672	81,937
Net unrealised appreciation on re-measurement of investments classified as 'held-for-trading'	3,461	13,778
Other net income for the year	349,523	1,009,055
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(155,932)	12,795
Distributions made during the year (refer distribution statement)	(365,801)	(727,464)
	(107,077)	390,101
Net unrealised diminution / appreciation on re-measurement of investments classified as 'available-for-sale'	(100,373)	112,205
Net assets at the end of the year	6,848,672	11,272,806
	----- (Number of units) ----	
NUMBER OF UNITS IN ISSUE	64,583,116	106,749,897
	----- (Rupees) -----	
NET ASSET VALUE PER UNIT	106.0443	105.6002

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


MCB-Arif Habib Savings and Investments Limited
(Management Company)
Chief Executive Officer


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year before taxation		414,656	1,104,770
Adjustments for:			
Net unrealised appreciation in the fair value of investments classified 'at fair value through profit or loss - held-for-trading'		(3,461)	(13,778)
(Reversal) / charge of provision against debt securities		18,630	9,468
Element of loss and capital loss included in the prices of units sold less those in units redeemed:			
- from realised / unrealised capital (gain) / loss		76,656	72,861
- from other income		323,063	231,023
		<u>829,544</u>	<u>1,404,344</u>
Decrease in assets			
Investments		3,102,915	596,821
Mark-up and other receivables		246,167	(2,990)
Fair value of derivative asset		(5,855)	-
Advances, deposits and prepayments		(790)	76,892
		<u>3,342,437</u>	<u>670,723</u>
Increase in liabilities			
Payable to the Management Company		(21,882)	15,263
Payable to the Trustee		(182)	96
Annual fee payable to SECP		(908)	1,453
Payable against redemption of units		(16,512)	25,844
Payable against purchase of Investments (Money Market)		497,520	-
Payable against purchase of Investments (Equity)		43,056	-
Accrued and other liabilities		535	154,999
		<u>501,627</u>	<u>197,655</u>
Net cash generated from operating activities		<u>4,673,608</u>	<u>2,272,722</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts against issue of units		9,261,155	14,013,248
Net payments on redemption of units		(14,033,490)	(14,635,822)
Dividend paid		(365,801)	(727,464)
Net cash used in financing activities		<u>(5,138,136)</u>	<u>(1,350,038)</u>
Net increase in cash and cash equivalents during the year		(464,528)	922,684
Cash and cash equivalents at beginning of the year		3,539,259	2,616,575
Cash and cash equivalents at end of the year	18	<u>3,074,731</u>	<u>3,539,259</u>

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



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited (formerly: Lahore Stock Exchange Limited).
- 1.5 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (positive outlook) dated June 08, 2016 to the Management Company and a rating of "A+(f)" dated December 31, 2015 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the requirements of 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 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 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards 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, 2016

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, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
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
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 7 – Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

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 September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company'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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

The preparation of 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

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, 2016

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 6, 2009 as amended by Circular No. 13 dated May 4, 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

4.17 Revenue recognition

- Realized capital gains / (losses) arising on sale of investments / settlement of derivatives 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

		June 30, 2016	June 30, 2015
	Note	----- (Rupees in '000) -----	
5. BALANCES WITH BANKS			
Deposit accounts	5.1	<u>2,130,877</u>	<u>2,327,525</u>

5.1 These carry mark-up at rates ranging between 3.75% to 6.25% per annum (2015: 4.5% to 10.15%) per annum and include balance of Rs.16.385 million (2015: Rs.720.343 million) with MCB Bank Limited (a related party).

		June 30, 2016	June 30, 2015
	Note	----- (Rupees in '000) -----	
6. INVESTMENTS			
'At fair value through profit or loss' - held-for-trading			
Government securities	6.1	712,082	993,604
Listed equity securities	6.2	435,855	-
Listed debt securities	6.3	1,008,726	465,449
Unlisted debt securities	6.4	1,139,767	1,071,418
		<u>3,296,430</u>	<u>2,530,471</u>
Available-for-sale			
Government securities	6.5	1,718,958	6,148,787
Loans and receivables	6.6	430,754	253,221
		<u>5,446,142</u>	<u>8,932,479</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

6.1 Government securities - 'at fair value through profit or loss' - held-for-trading

Name of investee company	Face Value					Balance as at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2015	Purchased during the year	Disposed during the year	Matured during the year	As at June 30, 2016	Carrying Value	Market value	Diminution		
Rupees in '000'										
Treasury Bills - 1 year	-	12,505,500	10,738,000	1,767,500	-	-	-	-	-	-
Treasury Bills - 6 months	-	15,363,645	14,132,000	1,031,645	200,000	198,982	198,982	-	2.91	3.65
Treasury Bills - 3 months	967,500	13,280,915	11,870,000	1,863,415	515,000	513,100	513,100	-	7.49	9.42
Pakistan Investment Bonds - 10 years	-	-	-	-	-	-	-	-	-	-
Pakistan Investment Bonds - 05 years	35,000	100,000	100,000	35,000	-	-	-	-	-	-
Pakistan Investment Bonds - 03 years	-	-	-	-	-	-	-	-	-	-
Total as at June 30, 2016	1,002,500	41,250,060	36,840,000	4,697,560	715,000	712,082	712,082	-	10.40	13.07
Total as at June 30, 2015	3,014,560	33,917,500	23,040,500	12,889,060	1,002,500	994,263	993,604	(659)	9	11

These will mature latest by August 04, 2016 (2015: Nil) and carry interest at the rate ranging from 5.06% to 5.96% (2015: Nil) per annum.

These will mature latest by July 07, 2016 (2015: August 06, 2015) and carry interest at the rate ranging from 5.06% to 6.18% (2015: 6.442% to 6.662%) per annum.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6.2 Listed equity securities - 'at fair value through profit or loss' - held-for-trading

Name of investee company	Number of shares					Balance as at June 30, 2016			Market value as a percentage of net assets of the fund	Market value as percentage of total investments	Percentage of the paid-up capital of the investee company
	As at July 01, 2015	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2016	Cost	Market value	Appreciation / (Diminution)			
Oil and gas exploration companies											
Pakistan Petroleum Limited	-	588,000	-	584,500	3,500	549	543	(6)	0.01%	0.01%	0.00%
Oil & Gas Development Company Limited	-	653,000	-	612,500	40,500	5,556	5,592	36	0.08%	0.10%	0.00%
					44,000	6,105	6,135	29	0.09%	0.11%	0.00%
Oil and gas marketing companies											
Hascol Petroleum Limited	-	137,000	-	129,500	7,500	1,399	1,465	66	0.02%	0.03%	0.01%
Pakistan State Oil Company Limited	-	753,500	-	731,500	22,000	8,096	8,260	164	0.12%	0.15%	0.01%
					29,500	9,495	9,725	230	0.14%	0.18%	0.01%
Fertilizer											
Engro Fertilizers Limited	-	7,761,500	-	6,439,000	1,322,500	87,669	85,275	(2,394)	1.25%	1.57%	0.10%
Engro Corporation Limited	-	3,847,000	-	3,702,000	145,000	47,492	48,281	789	0.71%	0.89%	0.03%
Fauji Fertilizer Bin Qasim Limited	-	7,869,000	-	7,869,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	640,500	-	589,500	51,000	5,853	5,851	(2)	0.09%	0.11%	0.00%
					1,518,500	141,014	139,406	(1,608)	2.04%	2.56%	0.13%
Technology and communication											
Pakistan Telecommunication Company Limited 'A'	-	2,674,500	-	2,467,500	207,000	3,206	3,111	(94)	0.05%	0.06%	0.01%
Hum Network Limited	-	66,000	-	66,000	-	-	-	-	-	-	-
					207,000	3,206	3,111	(94)	0.05%	0.06%	0.01%
Power generation and distribution											
Hub Power Company Limited	-	26,000	-	6,000	20,000	2,378	2,401	23	0.04%	0.04%	0.00%
* K-Electric Limited	-	28,070,000	-	27,251,000	819,000	6,440	6,601	161	0.10%	0.12%	0.00%
					839,000	8,818	9,002	184	0.13%	0.17%	0.00%
Construction and materials (cement)											
Pakcem Limited	-	257,500	-	247,500	10,000	181	177	(4)	0.00%	0.00%	0.00%
Cherat Cement Company Limited	-	608,500	-	608,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	1,922,000	-	1,838,500	83,500	3,188	2,989	(199)	0.04%	0.06%	0.01%
Maple Leaf Cement Factory Limited	-	3,993,000	-	3,993,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	878,000	-	878,000	-	-	-	-	-	-	-
					93,500	3,369	3,166	(203)	0.05%	0.06%	0.01%
Food and personal care products											
Engro Foods Limited	-	2,362,500	-	2,335,500	27,000	4,455	4,410	(45)	0.06%	0.08%	0.00%
					27,000	4,455	4,410	(45)	0.06%	0.08%	0.00%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Name of investee company	Number of shares				Balance as at June 30, 2016				Market value as a percentage of net assets of the fund	Market value as percentage of total investments	Percentage of the paid-up capital of the Investee company
	As at July 01, 2015	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2016	(Rupees in '000)					
						Cost	Appreciation / (Diminution)				
Multiliutilities (gas and water)											
Sui Southern Gas Company Limited	-	3,756,500	-	2,538,500	1,218,000	35,233	33,532	(1,701)	0.49%	0.62%	0.14%
Sui Northern Gas Company Limited	-	13,327,000	-	13,166,500	160,500	5,628	5,825	197	0.09%	0.11%	0.03%
					1,378,500	40,861	39,357	(1,504)	0.58%	0.72%	0.16%
Pharma and bio tech											
The Searle Company Limited	-	167,000	-	104,000	63,000	33,081	33,777	696	0.49%	0.62%	0.05%
					63,000	33,081	33,777	696	0.49%	0.62%	0.05%
Commercial banks											
Habib Bank Limited	-	39,500	-	39,500	-	-	-	-	-	-	-
					-	-	-	-	0.00%	0.00%	0.00%
Cable and electrical goods											
Pak Elektron Limited	-	12,235,000	-	9,504,000	2,731,000	178,901	176,559	(2,342)	2.58%	3.24%	0.55%
TPL Trakker Limited	-	383,500	-	383,500	-	-	-	-	-	-	-
					2,731,000	178,901	176,559	(2,342)	2.58%	3.24%	0.55%
Refinery											
Attock Refinery Limited	-	235,500	-	195,500	40,000	10,911	11,206	294	0.16%	0.21%	0.05%
					40,000	10,911	11,206	294	0.16%	0.21%	0.05%
Engineering											
International Steels Limited	-	53,500	-	53,500	-	-	-	-	-	-	-
					-	-	-	-	-	-	-
Total as at June 30, 2016					6,971,000	440,216	435,855	(4,361)			
Total as at June 30, 2015					-	-	-	-			
These have a face value of Rs.3.5 per share											
										Total	
										June 30, 2016	June 30, 2015
										---- (Rupees in '000')----	
6.2.1 Market value										435,855	-

The movement in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income due to difference in ready and future stock prices.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

6.3 Debt securities - term finance certificates of Rs.5,000 each (unless stated otherwise) - Listed

Name of investee company	Number of Certificates				Balance as at June 30, 2016			Market value as a percentage of net assets	as a percentage of total investment
	As at July 01, 2015	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2016	Carrying value	Market value (Rupees in '000)	Appreciation / (Diminution)	
Commercial banks									
Allied Bank Limited (August 28, 2009)	9,000	-	-	9,000	-	-	-	-	-
Bank Alfalah Limited (February 20, 2013)	72,631	-	-	-	72,631	363,263	370,530	7,267	2.98
Faysal Bank Limited (December 27, 2010)	10,000	-	-	-	10,000	38,379	37,860	(519)	0.30
Habib Bank Limited (February 19, 2016) TFC-I *	-	6,250	-	250	6,000	600,000	600,090	90	4.87
						1,001,642	1,008,480	6,838	8.12
Financial services									
Saudi Pak Leasing Company Limited (March 13, 2010) (refer note 6.4.1)	10,000	-	-	-	10,000	13,491 (13,246)			
Less: Provision						245	245	-	0.00
Total listed debt securities						1,001,887	1,008,726	6,839	

6.4 Debt securities - Term finance certificates / sukuku of Rs.5,000 each (unless stated otherwise) - Unlisted

Name of investee company	Number of Certificates				Balance as at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2015	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2016	Carrying value	Market value (Rupees in '000)	Appreciation / (Diminution)	
Commercial banks									
Askari Bank Limited PPFTC (December 23, 2011) *	45	-	-	45	-	-	-	-	-
Askari Bank Limited (September 30, 2014)	56,000	-	-	-	56,000	279,306	285,429	6,123	2.31
Bank Alfalah Limited (December 02, 2009)	40,250	-	-	-	40,250	207,753	204,147	(3,606)	1.66
Bank Alfalah Limited (December 02, 2009) fixed	18,235	-	-	-	18,235	101,824	97,579	(4,245)	0.79
Bank Al Habib (March 17, 2016) TFC-II	-	54,000	-	-	54,000	270,000	269,936	(64)	2.19
Standard Chartered Bank (Pakistan) Limited (June 29, 2012)	41,000	-	-	-	41,000	202,697	205,466	2,769	1.67
						1,061,580	1,062,557	976	8.56
									8.61

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Name of investee company	Number of Certificates				Balance as at June 30, 2016		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2015	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2016	Carrying value	Appreciation / (Diminution)	
								(Rupees in '000)
Construction and materials								
Maple Leaf Cement Factory Limited (December 03, 2007)	68,000	-	68,000	-	-	-	-	-
Chemicals and fertilizer								
Engro Fertilizer Limited (March 18, 2008) PTFC-1	2,419	-	-	2,419	-	-	-	-
Engro Fertilizer Limited (March 18, 2008) PTFC-2	2,000	-	-	2,000	-	-	-	-
Engro Fertilizer Limited (July 09, 2014) Sukuk	15,800	-	-	-	15,800	75,724	6	0.61
						75,724	6	0.61
Financial services								
Security Leasing Corporation Limited (March 13, 2008) (refer note 6.4.1) Less: Provision	10,000	-	-	-	10,000	4,363 (3,534)		
						829	-	0.01
Security Leasing Corporation Limited - Sukuk (June 01, 2007) (refer note 6.4.1) Less: Provision	5,000	-	-	-	5,000	2,501 (1,852)		
						649	-	0.01
Household goods								
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 6.4.1) Less: Provision	10,400	-	-	-	10,400	22,337 (22,337)		
						-	-	-
New Allied Electronics Industries (Private) Limited - Sukuk (July 27, 2007) (refer note 6.4.1) Less: Provision	112,000	-	-	-	112,000	35,063 (35,063)		
						-	-	-
Total unlisted debt securities								
						1,138,782	1,139,767	982
Total as at June 30, 2016						2,140,668	2,148,493	7,821
Total as at June 30, 2015						1,522,431	1,536,867	14,437

* Nominal value of these term finance certificates is Rs.100,000 per unit.

6.4.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investment as non-performing debt securities. The Fund has suspended further accrual of mark-up there against.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

6.4.2 Significant terms and conditions of term finance certificates and other securities outstanding at the year end are as follows:

Name of security	Number of certificates	Face value (Rupees)	Unredeemed face value / redemption value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
Listed debt securities							
Commercial banks							
Habib Bank Limited (February 19, 2016) TFC-I	6,000	100,000	100,000	6 month KIBOR+0.50%	February 19, 2026	Unsecured	AAA
Bank Alfalah Limited -V (February 20, 2013, issue)	72,631	5,000	4,994	6 month KIBOR+1.25%	February 20, 2021	Unsecured	AA-
Faysal Bank Limited TFC (December 27, 2010, issue)	10,000	5,000	3,743	6 month KIBOR+2.25%	December 24, 2017	Unsecured	AA-
Unlisted debt securities							
Askari Bank Limited IV - TFC (September 30, 2014)	56,000	5,000	4,997	6 month KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank Al Habib (March 17, 2016) TFC-II	54,000	5,000	5,000	6 month KIBOR+0.75%	March 17, 2026	Unsecured	AA
Bank Alfalah Limited-IV (December 02, 2009)	40,250	5,000	4,987	6 month KIBOR+2.5%	December 2, 2017	Unsecured	AA-
Bank Alfalah Limited-IV (December 02, 2009) Fixed	18,235	5,000	4,987	15%	December 2, 2017	Unsecured	AA-
Standard Chartered Bank Pakistan Limited PPTFC (June 29, 2012)	41,000	5,000	5,000	6 month KIBOR+0.75%	June 29, 2022	Unsecured	AAA
Engro Fertilizer Limited - Sukuk (July 09, 2014)	15,800	5,000	4,625	6 month KIBOR+1.75%	July 9, 2019	Secured	A+

The Term Finance Certificates and Sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

	June 30, 2016	June 30, 2015
----- (Rupees in '000) -----		
1, 6, 3 & 6.4	3,296,428	2,530,471
1, 6, 3 & 6.4	3,292,967	2,516,693
	<u>3,461</u>	<u>13,778</u>

6.1, 6.2, 6.3 & 6.4	3,296,428	2,530,471
6.1, 6.2, 6.3 & 6.4	3,292,967	2,516,693
	3,461	13,778

[illegible]

Pakistan Investment Bonds - 10 years	6.5.1	1,247,900	743,000	1,847,900	-	143,000	177,799	178,818	1,019	3,00	3,00
Pakistan Investment Bonds - 05 years	6.5.2	2,132,800	5,975,000	7,381,500	-	726,300	791,426	802,937	11,511	12,00	15,00
Pakistan Investment Bonds - 03 years	6.5.3	2,474,900	8,641,500	10,410,500	-	705,900	734,699	737,203	2,504	11,00	14,00
Total as at June 30, 2016		5,855,600	15,359,500	19,639,900	-	1,575,200	1,703,924	1,718,958	15,034	26,00	32,00
Total as at June 30, 2015		3,454,000	5,536,700	3,135,100	-	5,855,600	6,033,380	6,148,787	115,407	54,00	69,00

6.5.1 These will mature latest by July 19, 2022 (2015: May 19, 2016) and carry interest at the rate of 12% (2015: 9.60% to 12%) per annum.

6.5.2 These will mature latest by July 19, 2017 (2015: August 18, 2016) and carry interest at the rate ranging from 7.75% to 11.50% (2015: 11.50%) per annum.

6.6 Loans and receivables

Particulars		Profit / mark-up rate	Maturity date	Closing balance as at June 30, 2016	Value as a percentage of net assets %	Value as percentage of investments %
Term deposit receipts		6.40%	August 19, 2016	430,754	6.29	7.91
Total as at June 30, 2016				430,754	6.29	7.91
Total as at June 30, 2015				253,221	2.25	2.83

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
Note	----- (Rupees in '000) -----	
7. MARK-UP AND OTHER RECEIVABLES		
Accrued mark-up on:		
- Pakistan investment bonds	55,584	263,775
- Term finance certificates	43,593	32,053
- Deposit accounts with banks	2,609	3,923
Dividend receivable	3,548	3,933
Exposure deposit with National Clearing Company Pakistan Limited (NCCPL)	23,490	71,307
	<u>128,824</u>	<u>374,991</u>

8. ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposit with NCCPL	2,750	2,750
Security deposit with Central Depository Company of Pakistan Limited	200	200
Prepaid rating fee	139	129
Advance tax	1,195	415
	<u>4,284</u>	<u>3,494</u>

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	9.1	9,976	15,655
Sales tax on management fee		1,397	2,348
Expenses payable to Management Company		666	-
Sales load payable		172	16,092
Legal and professional charges		2	-
		<u>12,213</u>	<u>34,095</u>

9.1 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 Company has charged remuneration at a rate of 1.5 percent (2015: 1.5%) of the average annual net assets of the Fund.

10. PAYABLE TO THE TRUSTEE

Trustee fee	10.1	<u>681</u>	<u>863</u>
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10.1 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	Rs.0.6 million or 0.17% per annum of net assets, whichever is higher
Rs.1 billion to Rs.5 billion	Rs.1.7 million plus 0.085% p.a. of net assets exceeding Rs.1 billion
Over Rs.5 billion	Rs.5.1 million plus 0.07% p.a. of net assets exceeding Rs.5 billion

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

11. 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% (June 30, 2015: 0.075%) of the average daily net assets of the Fund.

	Note	June 30, 2016	June 30, 2015
		----- (Rupees in '000) -----	
12. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	12.1	121,190	121,190
Federal Excise Duty payable on management fee	14	99,060	67,281
Federal Excise Duty payable on sales load	14	27,933	24,672
Auditors' remuneration		599	525
Withholding tax payable		41,598	79,812
Brokerage payable		3,379	1,225
Others		2,037	556
		295,796	295,261

12.1 Provision for Workers' Welfare Fund

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

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 08, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

Subsequent to the year ended June 30, 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, the Management Company, as a matter of abundant caution, has decided to retain the entire provision for WWF in these financial statements.

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 01, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.121.190 million (2015: Rs.121.190 million) in these financial statements pertaining to period July 01, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs.Nil on account of WWF. Had the provision of WWF not been recorded in the books of account of the Fund, the net asset value per unit of the Fund would have been higher by Rs.1.88 per unit (1.77%) (2015: Rs.1.13 per unit (1.08%)) as at June 30, 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

13. CONTINGENCIES AND COMMITMENTS

13.1 CONTINGENCIES

The Finance Act, 2015 inserted a new section 4B "Super Tax for Rehabilitation of Temporarily Displaced Persons" (Super Tax) for tax year 2015. Super Tax was imposed for Tax Year 2015 only on banking companies at the rate of 4% of income and by all other tax payers having income equal to or exceeding Rs.500 million at 3 percent of the income. The levy of Super Tax has been extended to tax year 2016.

The Management Company has received an order dated April 04, 2016 under section 4B(4) for recovery of Super Tax not paid with return of total income filed for tax year 2015. The Assistant Commissioner considered that the Fund was required to pay Super Tax as the income of the Fund was more than Rs.500 million and raised a demand of Rs.50.959 million.

The Management Company had filed an appeal before Commissioner Inland Revenue (Appeals - III) which was decided against the Fund and now the Management Company has filed an appeal against the decision in the Appellate Tribunal Inland Revenue which is pending to date. In addition, the Management Company has obtained a restraining order from Sindh High Court to prohibit tax authorities from taking any coercive action on the basis of impugned order passed and demand notice.

The management, based on consultation with the tax advisor, MUFAP and management companies of other mutual funds, is of the view that the income of the Fund is exempt from tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 since sufficient accounting income had been distributed among the unit holders and the Funds complied with the requirement of clause 99. Therefore, Super Tax under the provision of the Income Tax Ordinance, 2001 is not applicable to the Fund and, accordingly, no provision has been made in the financial statements for the year ended June 30, 2016.

13.2 COMMITMENTS

Future sale transactions of equity securities entered into by the Company in
respect of which the sale transactions have not been settled as at June 30, 2016

June 30, 2016	June 30, 2015
----- (Rupees in '000) -----	

440,768

-

14. 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.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

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

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.99.060 million (2015: Rs.67.281 million).

15. AUDITORS' REMUNERATION

Annual audit fee
Half yearly review fee
Other certifications

Sales tax
Out of pocket expenses

350	350
180	180
150	150
680	680
41	34
156	52
877	766

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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.

17. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECP

17.1 In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2016, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
----- (Rupees in '000) -----						
New Allied Electronics Industries (Private) Limited	Term finance certificates	22,337	22,337	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	Sukuk certificates	35,063	35,063	-	0.00%	0.00%
Security Leasing Corporation Limited	Privately placed term finance certificates	5,375	4,546	829	0.01%	0.01%
Security Leasing Corporation Limited	Sukuk certificates	2,501	1,852	649	0.01%	0.01%
Saudi Pak Leasing Company Limited	Term finance certificates	22,298	22,053	245	0.00%	0.00%

18. CASH AND CASH EQUIVALENTS

Balances with banks	2,130,877	2,327,525
Treasury bills maturing within 3 months	513,100	958,513
Term deposit receipts	430,754	253,221
	3,074,731	3,539,259

June 30, June 30,
2016 2015
----- (Rupees in '000) -----

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

19. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

The transactions with connected persons are in the normal course of business.

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

19.1 Details of transactions with connected persons are as follows:

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
MCB-Arif Habib Savings and Investments Limited		
Remuneration of Management Company including indirect taxes	230,408	256,654
Issuance of 499,349 units (2015: 65,088 units)	55,000	7,000
Redemption of 499,349 units (2015: 2,649,884 units)	55,928	283,375
Sindh sales tax registration charges	-	8
Legal and professional charges	2	100
Expense allocated by Management Company and related taxes	7,279	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and settlement charges for the year	10,198	10,699
MCB Bank Limited		
Profit on deposit accounts	1,992	7,263
Bank charges	92	97
Purchase of securities face value 1,050,000,000 (2015: 250,000,000)	1,109,208	232,050
Sale of securities face value 3,350,000,000 (2015: Nil)	4,801,103	-
Silk Bank Limited		
Purchase of securities face value 957,000,000 (2015: Nil)	953,381	-
Sale of securities face value 1,032,000,000 (2015: 55,000,000)	1,434,247	109,732
Summit Bank Limited		
Purchase of securities face value 100,000,000 (2015: 50,000,000) **	108,719	56,362
Sale of securities face value Nil (2015: 75,000,000)	-	85,445
Adamjee Insurance Company Limited		
Redemption of Nil units (2015: 10,882,364 units)	-	1,208,462
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
Issuance of 1,099 units (2015: 25,242 units)	116	2,795
Dividend paid	155	195
MCB Employees Provident Fund		
Issuance of 64,934 units (2015: 81,304 units)	6,879	8,648
Dividends paid	6,879	8,648

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
MCB Employees Pension Fund		
Issuance of 64,934 units (2015: 81,304 units)	6,879	8,648
Dividends paid	6,879	8,648
D.G Khan Cement Company Limited Employees Provident Fund Trust		
Issuance of 195 units (2015: 244 units)	21	26
Dividends paid	21	26
Adamjee Life Assurance Company Limited - Non-Utilized Investment Linked Fund		
Issue of 1,097,206 units (2015: 882,704 units)	120,000	94,000
Redemption of 1,201,372 units (2015: 778,538 units)	134,141	88,540
Arif Habib Limited		
Brokerage *	50	9
Summit Capital Limited		
Brokerage *	-	0.325
Next Capital Limited		
Brokerage *	367	259
Mandate Under Discretionary Portfolio Services		
Issue of 169,327 units (2015: 122,149 units)	18,406	12,665
Redemption of 30,159 units (2015: 324,327 units)	3,353	34,763
Dividends paid	13,452	745
Key management personnel		
Issuance of 115,053 units (2015: 108,671 units)	12,445	11,707
Redemption of 186,195 units (2015: 136,142 units)	20,330	14,731
Dividends paid	46	46
19.2 Amount outstanding as at year end		
MCB Arif Habib Savings and Investments Limited		
Remuneration payable to Management Company	9,976	15,655
Sales tax payable on management fee	1,397	2,348
Sales load payable	151	13,993
Sales tax payable on sales load	21	2,099
Expense allocated by Management Company	666	-
Legal and professional charges	2	-
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration (including related taxes) and settlement charges payable	681	863
MCB Bank Limited		
Bank balance	16,385	720,333
Profit receivable on deposit accounts	43	816

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
MCB Employees Provident Fund		
1,183,412 units held as at June 30, 2016 (2015: 1,118,478)	125,494	118,112
MCB Employees Pension Fund		
1,183,412 units held as at June 30, 2016 (2015: 1,118,478)	125,494	118,112
D.G Khan Cement Company Limited - Employees Provident Fund Trust		
3,560 units held as at June 30, 2016 (2015: 3,364 units)	377	355
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
26,342 units held as at June 30, 2016 (2015: 25,242)	2,793	2,666
Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund		
Nil units held as at June 30, 2016 (2015: 104,166 units)	-	11,000
Mandate Under Discretionary Portfolio Services		
139,168 units held as at June 30, 2016 (2015: Nil units)	14,758	-
Sui Southern Gas Company Limited		
1,218,000 shares held as at June 30, 2016 (2015: Nil units)	33,532	-
Sui Northern Gas Company Limited		
160,500 shares held as at June 30, 2016 (2015: Nil)	5,825	-
Key management personnel		
7,896 units held as at June 30, 2016 (2015: 79,037 units)	837	8,346
Arif Habib Limited		
Brokerage payable	-	3
Next Capital Limited		
Brokerage payable	33	19

* 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.

** Mr. Nasim Beg has resigned from Summit Bank Limited with effect from January 19, 2016. Therefore, the purchase transaction has been incorporated as it occurred on January 18, 2016.

20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

20.1 Detail of members of the investment committee of the Fund are as follow:

		June 30, 2016		
			Experience in	
		Designation	years	Qualification
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	18	FCA & FCCA
2	Mr. Muhammad Asim	Asset Class Specialist - Equities	13	MBA & CFA
3	Mr. Saad Ahmed	Asset Class Specialist - Fixed Income	10	MBA
4	Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	9	B.COM
5	Mr. Awais Abdul Sattar	Senior Research Analyst	5	MBA & CFA

20.2 Mr. Saad Ahmed is the Fund Manager. He is also the Fund Manager of MCB Pakistan Sovereign Fund and MCB Cash Management Optimizer Fund, Pakistan Income Enhancement Fund and Pakistan Cash Management Fund.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

21. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2016 %
1 Adam Securities (Pvt.) Limited	18.70
2 Invest Capital Markets Limited	15.85
3 JS Global Capital Limited	10.54
4 Axis Global Limited	7.02
5 Invest and Finance Securities Limited	6.27
6 Intermarket Securities Limited	6.60
7 Top Line Securities	4.71
8 Invest and Finance Securities Limited	3.68
9 BMA Capital Management Limited	3.28
10 Invest One Markets (Pvt.) Limited	2.28
	June 30, 2015 %
1 Invest & Finance Securities Limited	29.78
2 Invest Capital Markets Limited	18.26
3 Adam Securities (Private) Limited	16.86
4 Invest One Markets (Private) Limited	13.03
5 Next Capital Limited	6.60
6 JS Global Capital Limited	5.97
7 Vector Capital (Private) Limited	3.10
8 C & M Management (Private) Limited	2.24
9 KASB Securities Limited	1.86
10 Icon Securities (Private) Limited	1.79

22. PATTERN OF UNIT HOLDINGS

As at June 30, 2016

	Number of unit holders	Number of units held	Net asset value of the amount invested Rupees '000	Percentage investment %
Individuals	3,595	53,351,274	5,657,599	82.61
Associated companies / Directors	4	2,396,726	254,159	3.71
Banks / DFIs	1	232,761	24,683	0.36
Retirement funds	38	4,319,239	458,031	6.69
Public limited companies	1	81	9	0.00
Others	53	4,283,035	454,191	6.63
	3,692	64,583,116	6,848,672	100.00

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

As at June 30, 2015

	Number of unit holders	Number of units held	Net asset value of the amount invested Rupees '000	Percentage investment %
Individuals	3,118	94,184,427	9,945,889	88.23
Associated companies / Directors	4	2,366,366	249,889	2.22
Banks / DFIs	1	236,766	25,002	0.22
Retirement funds	44	3,342,787	352,999	3.13
Public limited companies	33	5,816,302	614,202	5.45
Others	18	803,248	84,823	0.75
	3,218	106,749,897	11,272,804	100.00

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, 118th, 119th, 120th, 121st, 122nd, 123rd, 124th and 125th Board meetings were held on August 07, 2015, October 16, 2015, January 04, 2016, February 04, 2016, April 18, 2016, May 27, 2016, June 21, 2016 and June 27, 2016 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of persons attending the meetings	No. of meetings held	Number of Meetings			Meeting not attended
		Attendance required	Attended	Leave granted	
1 Mr. Mian Mohammad Mansha	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
2 Mr. Nasim Beg	8	8	7	1	119th
3 Mr. Yasir Qadri *	8	3	3	-	-
4 Dr. Syed Salman Ali Shah	8	8	8	-	-
5 Mr. Haroon Rashid	8	8	8	-	-
6 Mr. Ahmed Jahangir	8	8	7	1	122nd
7 Mr. Samad A. Habib	8	8	6	2	119th, 125th
8 Mr. Mirza Mehmood Ahmed	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
9 Mr. Muhammad Saqib Saleem (Chief Executive Officer) **	8	5	5	-	-

* Mr. Yasir Qadri (Chief Executive Officer) resigned on January 04, 2016

** Mr. Muhammad Saqib Saleem appointed as an acting Chief Executive Officer on January 04, 2016 and confirmed by the board on April 18, 2016

24. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

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 investment-grade debt securities, government securities and investments in other money market instruments.

24.1 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.

24.1.1 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 were carried out in Pak Rupees.

24.1.2 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.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates and sukuks, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.15.980 million (2015: Rs.14.396 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2016, the Fund holds Treasury bills and Pakistan Investment Bonds which are classified 'at fair value through profit or loss' - held-for-trading and available-for-sale exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2016, with all other variables held constant, total comprehensive income for the year and net assets would be lower by Rs.40.610 million (2015: lower by 121.362 million). In case of 100 basis points decrease in rates announced by FMAP on June 30, 2016, with all other variables held constant, total comprehensive income for the year and net assets would be higher by Rs.41.54 million (2015: higher by Rs.127.012 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 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 and for off-balance sheet instruments is based on the settlement date.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

June 30, 2016						
	Yield / effective interest rate (%)	Exposed to yield / interest rate risk				Total
		Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75 - 6.25	2,130,877	-	-	-	2,130,877
Investments classified:						
At fair value through profit or loss'						
- held-for-trading						
- Government securities	5.07 - 6.19	513,100	198,982	-	-	712,082
	6 months KIBOR +0.5% to 6 months KIBOR +					
	2.25%					
- Listed debt securities		-	-	1,008,726	-	1,008,726
	6 months KIBOR +0.75% to 15%					
- Unlisted debt securities		-	-	1,139,767	-	1,139,767
- Listed equity securities		-	-	-	435,855	435,855
Available-for-sale						
- Government securities	7.75 - 12.00	-	-	1,718,958	-	1,718,958
Loans and Receivables						
-Term Deposit Receipts	6.40	-	430,754	-	-	430,754
		513,100	629,736	3,867,451	435,855	5,446,142
Fair value of derivative asset		-	-	-	5,855	5,855
Mark-up and other receivables		-	99,177	-	29,647	128,824
Deposits		-	-	-	2,950	2,950
		2,643,977	728,913	3,867,451	468,452	7,708,793
Financial Liabilities						
Payable to the Management Company		-	-	-	12,213	12,213
Payable to the Trustee		-	-	-	681	681
Payable against redemption of units		-	-	-	9,332	9,332
Payable against purchase of investments (money market)		-	-	-	497,520	497,520
Payable against purchase of investments (equity)		-	-	-	43,056	43,056
Accrued and other liabilities		-	-	-	5,122	5,122
		-	-	-	567,924	567,924
On-balance sheet gap		2,643,977	728,913	3,867,451	(99,472)	7,140,869

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

June 30, 2015						
Exposed to Yield/ Interest rate risk						
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year		More than one year	Not exposed to yield / interest risk	Total
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	4.50-7.20	2,327,525	-	-	-	2,327,525
Investments classified:						
At fair value through profit or loss'						
- held-for-trading						
- Government securities	7.23-12.00	958,513	-	35,091	-	993,604
	6 months KIBOR +0.85% to 6 months KIBOR +					
- Listed debt securities	2.25%	-	-	465,449	-	465,449
	6 months KIBOR +0.75% to 15%					
- Unlisted debt securities		-	-	1,071,418	-	1,071,418
Available-for-sale						
- Government securities	7.23-12.00	-	-	6,148,787	-	6,148,787
Loans and Receivables						
- Term Deposit Receipts	8.25	-	253,221	-	-	253,221
		958,513	253,221	7,720,745	-	8,932,479
Mark-up and other receivables		-	295,828	-	79,163	374,991
Deposits		-	-	-	2,950	2,950
		3,286,038	549,049	7,720,745	82,113	11,637,945
Financial Liabilities						
Payable to the Management Company		-	-	-	34,095	34,095
Payable to the Trustee		-	-	-	863	863
Payable against redemption of units		-	-	-	25,844	25,844
Accrued and other liabilities		-	-	-	2,306	2,306
		-	-	-	63,108	63,108
On-balance sheet gap		3,286,038	549,049	7,720,745	19,005	11,574,837

24.1.3 Other price risk

Other 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. The fund is exposed to other price risk because of Term Finance Certificates (TFCs) held by it and classified as 'Fair value through Profit and Loss'.

In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2016, the net assets of the Fund would increase / decrease by Rs.107.34 million (2015: Rs.76.293 million), as a result of reduction / increase in unrealized gains / (losses).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in note 6.2.

At June 30, 2016, the fair value of equity securities exposed to price risk is disclosed in note 6.2.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each statement of assets and liabilities date, with all other variables held constant.

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
<i>Effect due to increase / decrease in KSE 100 index</i>		
Investment and net assets	<u>21,793</u>	-
Income statement	<u>21,793</u>	-

24.2 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 investment in term finance certificates and sukuks, 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 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, 2016 and June 30, 2015 is the carrying amounts of following financial assets.

	June 30, 2016	June 30, 2015
	(Rupees in '000)	
Balances with banks	2,130,877	2,327,525
Investments	2,579,247	1,790,088
Mark-up and other receivables	128,824	374,991
Fair value of derivative asset	5,855	-
	<u>4,844,803</u>	<u>4,492,604</u>

All deposits with NCCPL and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2016 and June 30, 2015.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

Bank Balances by rating category

	----- % -----	
AA / A1+	62.70%	66.95%
AA+ / A1+	36.09%	0.16%
A / A1	0.00%	0.00%
AAA / A1+	0.77%	30.95%
AA- / A1+	0.44%	1.94%
	<u>100.00%</u>	<u>100.00%</u>

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates and sukuku, term deposit receipts and government securities as at June 30, 2016 and June 30, 2015:

Investments by rating category

	----- % -----	
Government Securities	48.52%	79.96%
AAA, AAA-, AAA+	16.08%	2.27%
AA, AA-, AA+	33.86%	12.48%
A, A-, A+	1.51%	5.15%
BBB	0.00%	0.00%
Non - performing, Unrated	0.03%	0.14%

Investment in fixed income securities

Investment in 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.

Receivables against sale of units

These represent amount held under distribution accounts maintained by the Management Company for receipt of subscription money from unit holders. The amount has been cleared subsequently by the Management Company.

Advances and deposits

Deposits are placed with NCCPL and CDC for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such parties.

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

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 counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

24.3 Liquidity risk

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

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

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.

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	12,213	12,213	-	-
Payable to the Trustee	681	681	-	-
Payable against redemption of units	9,332	9,332	-	-
Payable against purchase of investments (money market)	497,520	497,520	-	-
Payable against purchase of investments (equity)	43,056	43,056	-	-
Accrued and other liabilities	5,122	3,379	1,743	-
Total liabilities	567,924	566,181	1,743	-
As at June 30, 2015				
	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	34,095	34,095	-	-
Payable to the Trustee	863	863	-	-
Payable against redemption of units	25,844	25,844	-	-
Accrued and other liabilities	2,306	1,225	1,081	-
Total liabilities	63,108	62,027	1,081	-

24.4 Financial instruments by category

As at June 30, 2016				
	Loans and Receivables	At fair value through profit and loss' - held-for-trading	Available-for-sale	Total
	(Rupees in '000)			
Assets				
Balances with banks	2,130,877	-	-	2,130,877
Investments	430,754	3,296,430	1,718,958	5,446,142
Mark-up and other receivables	128,824	-	-	128,824
Fair value of derivative asset	5,855	-	-	5,855
Deposits	2,950	-	-	2,950
	2,699,260	3,296,430	1,718,958	7,714,648

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

	As at June 30, 2016		
	At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	12,213	12,213
Payable to the Trustee	-	681	681
Payable against redemption of units	-	9,332	9,332
Payable against purchase of investments (money market)	-	497,520	497,520
of investments (equity)	-	43,056	43,056
Accrued and other liabilities	-	5,122	5,122
	-	567,924	567,924

	As at June 30, 2015			
	Loans and Receivables	At fair value through profit and loss' - held- for-trading	Available-for- sale	Total
	----- (Rupees in '000) -----			
Assets				
Balances with banks	2,327,525	-	-	2,327,525
Investments	253,221	2,530,471	6,148,787	8,932,479
Mark-up and other receivables	374,991	-	-	374,991
Deposits	2,950	-	-	2,950
	2,958,687	2,530,471	6,148,787	11,637,945

	As at June 30, 2015		
	At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	34,095	34,095
Payable to the Trustee	-	863	863
Payable against redemption of units	-	25,844	25,844
Accrued and other liabilities	-	2,306	2,306
	-	63,108	63,108

24.5 Fair value of financial instruments

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 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:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. 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:

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				
Government securities	-	712,082	-	712,082
Listed equity securities	435,855	-	-	435,855
Listed debt securities	-	1,008,726	-	1,008,726
Unlisted debt securities	-	1,139,767	-	1,139,767
	435,855	2,860,575	-	3,296,430

Financial assets classified as 'available-for-sale'

Government securities	-	1,718,958	-	1,718,958
	435,855	4,579,533	-	5,015,388

June 30, 2015				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss'				
- held-for-trading				
Government securities	-	993,604	-	993,604
Listed equity securities	-	-	-	-
Listed debt securities	-	465,449	-	465,449
Unlisted debt securities	-	1,071,418	-	1,071,418
	-	2,530,471	-	2,530,471

Financial assets classified as 'available-for-sale'

Government securities	-	6,148,787	-	6,148,787
	-	8,679,258	-	8,679,258

25. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016

The Fund's objectives when managing unit holder's fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for units holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

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 requests, such liquidity being augmented by short-term borrowings or disposal of investments when necessary.


Under the NBFC Regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

26. GENERAL

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

27. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on August 05, 2016 by the Board of Directors of the Management Company.



Chief Executive Officer

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



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2016**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
MCB EMPLOYEES PROVIDENT FUND (PAK STAFF)	1	1,183,412
MCB EMPLOYEES PENSION FUND	1	1,183,412
ADAMJEE LIFE ASSURANCE COMPANY LIMITED-EMPLOYEES GRATUITY FUND	1	26,342
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	3,560
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	3	7896
Public sector companies and corporations	1	81
Banks, Development Finance Institutiios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	39	4,552,000
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	3,645	57,626,412.41
	3,692	64,583,116

**PATTERN OF HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2016**

No. of Unit Holder	Unit holdings	Total Units Held
2580	1-10000	8,625,264
1021	10001-100000	27,882,563
86	100001-1000000	21,839,282
5	1000001 onwards	6,236,008
3,692		64,583,116

PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	6,848.67	11,272.81	11,101.99	11,319.75
Net Assets value per unit – Rupees	106.04	105.60	101.10	103.7
Closing Offer Price	108.19	107.76	103.19	105.79
Closing Repurchase Price	106.04	105.60	101.10	103.65
Highest offer price per unit	114.35	116.26	107.07	105.99
Lowest offer price per unit	107.82	103.19	101.11	103.02
Highest Redemption price per unit	112.08	113.93	104.91	104.40
Lowest Redemption price per unit	105.68	101.13	100.99	101.48
Distribution per unit – Rs. *	6.15	8.27	13.05	7.41
Average Annual Return - %				
One year	6.23	12.64	10.79	9.80
Two year	9.44	11.72	10.30	10.30
Three year (inception date Mar 01, 2007)	9.89	11.08	10.46	11.17
Net Income for the year – Rs. in million	414.66	1,104.77	1,091.30	880.41
Distribution made during the year – Rs. in million	365.80	727.46	1,372.22	639.55
Accumulated Capital Growth – Rs. in million	48.86	377.31	(280.92)	46.73
Weighted average Portfolio Duration (years)	2.8	2.2	1.6	1.1

* Date of Distribution

2016	
Date	Rate
June 27, 2016	6.15

2015	
Date	Rate
June 22, 2015	7.27
June 23, 2015	1.00

2014	
Date	Rate
June 27, 2014	3.93
July 04, 2013	2.65
September 26, 2013	1.74
December 26, 2013	2.03
March 26, 2014	2.69

2013	
Date	Rate
September 28, 2012	3.01
December 27, 2012	2.49
March 26, 2013	1.90

Disclaimer

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



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