



**Paanchon Unglian Ghee Main**

**MCB**

**PAKISTAN ASSET ALLOCATION  
FUND**

**MCB-Arif Habib Savings and Investments Limited**

Rated: 'AM2++' by PACRA

## TABLE OF CONTENTS

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01	Vision, Mission & Core Value	02
02	Fund's Information	03
03	Report of the Director of Management Company	04
04	Report of the Fund Manager	16
05	Trustee Report to the Unit Holders	18
06	Statement of Compliance with the Code of Corporate Governance	19
07	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	21
08	Independent Auditors' Report to the Unit Holders	22
09	Statement of Assets and Liabilities	23
10	Income Statement	24
11	Statement of Comprehensive Income	25
12	Distribution Statement	26
13	Statement of Movement in Unit Holders' Fund	27
14	Cash Flow Statement	28
15	Notes to and Forming Part of the Financial Statements	29
16	Pattern of Holding as Per Requirement of Code of Corporate Governance	61
17	Pattern of Units Holding By Size	62
18	Performance Table	63
19	Proxy Issued By Fund	64

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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

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi	
<b>Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Bank Al-Habib Limited Bank Al-Falah Limited NIB Bank Limited Faysal Bank Limited United Bank Limited Standard Chartered Bank Pakistan Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2 ++ Asset Manager Rating assigned by PACRA	

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

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Asset Allocation 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.

## EQUITIES MARKET OVERVIEW

The local equity market measured by KSE-100 Index gained 9.8% during FY16, witnessing its weakest performance during last seven years. While the macro environment in general improved significantly, the same wasn't evident in the equity returns as rout in commodities and exodus of foreign investors from local equity market kept the benchmark under pressure. Foreigners selling remained unabated, dumping USD 281 million worth of equities during the year. The selling during the period was primarily absorbed by NBFCs with net buying of USD 187.8 million, while individuals bought USD 127.7 million of equities.

Cement sector led the sector charts, posting a gain of 29.0% during the year, as robust cement dispatches along with the potential growth from CPEC lead activities kept investor interests alive in the sector. Power sector rallied by 19.8% during the period, after 75 bps of cut in discount rate brought the yield plays into limelight. Similarly, pharmaceutical sector gained traction, returning an astounding 43.0% during the period as Drug Regulatory Authority ("DRAP") approved the pricing policy for pharmaceutical companies. On the flip side, the index heavyweight Oil & Gas Exploration sector underperformed the benchmark, losing 5.4% during the year. The sector performance followed the trend in crude oil prices (Arab Light) after it declined by 22.0%, as fears of oversupply resurfaced after the sanctions on Iran were lifted. Commercial Banks also remain laggards, returning a mere 2.5% after the central bank reduced the discount rate by 75 bps during the year. Similarly, fertilizer sector also returned only 2.8%, after concerns on the pricing power of the fertilizer sector emerged as international urea prices went below the local prices for the first time.

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

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Pakistan's reclassification to the Emerging Market index was the headline news during the year, as expectations of upgrade were finally met. Going forward, we believe the market has a strong potential of re-rating owing to expected inflows from Emerging Market Funds. It is expected that net inflow of USD 300-400 million would flow, following Pakistan's reclassification. Thus, we recommend investors to focus on long term value and potential offered by the bourse to build positions in equity funds.

## FUND PERFORMANCE

The fund posted a return of 3.21% during the period under review while since inception return of fund stood at 68.98%. The fund's exposure in equity was around 52.5% at the end this fiscal year. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks.

On the fixed income side, the fund has decreased T-Bill exposure to 10.3% from 16.8% while the exposure in PIBs was decreased to 1.0% from 32.5%.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 2,718 million as compared to Rs.2640 million as at June 30, 2015 registering an increase of 2.95%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs.79.0558 as compared to opening NAV of Rs.77.3785 per unit as at June 30, 2015 registering an increase of Rs.1.6773 per unit.

## 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:

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

- 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 whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident 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 19.3 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.

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

### 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 2<sup>nd</sup> meeting.

\*\* Attended 6<sup>th</sup> meeting as Acting CEO.

- n. No trades in the units of Fund was 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.

### External Auditors

The fund's external auditors, KPMG Taseer Hadi & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Due to code of corporate governance, KPMG has been appointed as an external auditor of Management Company; therefore they are not eligible for reappointment. The audit committee of the Board has recommended appointment of A.F. Ferguson & Co., Chartered Accountants 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

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

## خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”KPMG“ تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس، موجودہ سال کے آڈٹ کے اختتام کے بعد ریٹائر ہو گئے ہیں۔ کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت KPMG کو مینجمنٹ کمپنی کا خارجی آڈیٹر مقرر کر دیا گیا ہے، چنانچہ وہ دوبارہ تقرری کے اہل نہیں ہیں۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے ”اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس“ کو فنڈ کے آڈیٹرز مقرر کرنے کے 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

# ڈائریکٹرز رپورٹ

مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات ملحقہ مالیاتی گوشواروں کے نوٹ 19.3 میں پیش کی گئی ہیں۔ 30 جون 2016ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

## 1. آڈٹ کمیٹی کی میٹنگ

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

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

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

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

\* 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۔

# ڈائریکٹرز رپورٹ

گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق کی بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو با تفصیل واضح کیا گیا ہے۔

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 بکس 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 ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرئل 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 آڈٹ 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 ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- k. دوران سال دی اسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منعقدہ ڈائریکٹرز تربیتی پروگرام میں چیف ایگزیکٹو آفیسر نے شرکت کی۔ (باقی تمام ڈائریکٹرز یہ 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

# ڈائریکٹر رپورٹ

تاخیر کا شکار ہو سکتی ہے۔

سالِ 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 افراز 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 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 پک 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 ابھرتی 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۔ ابھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے PSX-100 انڈیکس میں تیزی آ سکتی 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

# ڈائریکٹر رپورٹ

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 3.21% منافع کمایا جبکہ ابتداء سے فنڈ کا منافع 68.89% کی سطح پر قائم تھا۔ ایکویٹی میں فنڈ کی شمولیت اس مالی سال کے اختتام پر تقریباً 52.5% تھی۔ فنڈ نے پیداوار کی مدافعت اور انچھی سطح اور ترقیاتی stocks کے مابین توازن قائم رکھنے پر توجہ مرکوز رکھی ہے۔

بندھی ہوئی آمدنی کے شعبے میں فنڈ نے T-Bill میں اپنی شمولیت کو 16.8% سے کم کر کے 10.3% کر دیا ہے، جبکہ PIBs میں شمولیت 32.5% سے کم کر کے 1.0% کر دی گئی۔

30 جون 2016ء کو فنڈ کے net اثاثے 2,718 ملین روپے تھے جبکہ 30 جون 2015ء کو 2,640 ملین روپے تھے، یعنی 2.95% اضافہ ہوا۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 79.0558 روپے تھی جبکہ 30 جون 2015ء کو 77.3785 روپے تھی، یعنی 1.6773 روپے فی یونٹ اضافہ ہوا۔

## 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

PSX-100 انڈیکس کے ذریعے پیمائش کردہ مقامی ایکویٹی مارکیٹ نے مالی سال 2016ء کے دوران 9.8% ترقی کی، جو گزشتہ سات برسوں میں اس کی کمزور ترین کارکردگی ہے۔ اگرچہ مجموعی صورتحال میں قابل ذکر بہتری آئی، لیکن ایکویٹی کے منافع میں اس کی عکاسی نہیں ہوئی کیونکہ اشیاء میں کمی اور مقامی مارکیٹ سے غیر ملکی سرمایہ کاروں کے بڑے پیمانے پر خروج نے معیار کو دباؤ میں رکھا۔ غیر ملکیوں کی فروخت میں کوئی کمی نہیں ہوئی جس سے دوران سال 281 ملین ڈالر مالیت کی ایکویٹیز ضائع ہوئیں۔ مذکورہ مدت میں ہونے والی فروخت کا اثر بنیادی طور پر NBFCs نے قبول کیا اور 187.8 ملین ڈالر کی net خریداری ہوئی جبکہ انفرادی طور پر 127.7 ملین ڈالر کی ایکویٹیز خریدی گئیں۔

سیمنٹ کا شعبہ مذکورہ مدت میں 29.0% ترقی کے ساتھ سب سے آگے رہا۔ بڑے پیمانے پر سیمنٹ کی فروخت اور اس کے ساتھ CPEC کے زیر اہتمام سرگرمیوں سے ہونے والی متوقع ترقی نے اس شعبے میں سرمایہ کاروں کی دلچسپی کو قائم رکھا۔ بجلی کے شعبے نے 19.8% ترقی کی جب ڈسکاؤنٹ کی شرح میں 75 bps کمی سے پیداواری قوتیں منظر عام پر آئیں۔ اسی طرح، ادویات کے شعبے میں بھی تیزی آئی اور مذکورہ مدت میں 43.0% کی شاندار ترقی ہوئی جب ڈرگ ریگولیٹری اتھارٹی پاکستان ("DRAP") نے ادویات کے اداروں کے لئے قیمتوں کے تعین کی پالیسی کی منظوری دے دی۔ دوسری جانب بھاری انڈیکس کا حامل آئل اینڈ گیس ایکسپلوریشن کا شعبہ معیار کے مطابق کام نہیں کر سکا اور اسے دوران سال 5.4% خسارہ ہوا۔ یہی رجحان خام تیل کی قیمتوں (Arab Light) میں بھی رہا اور اس میں 22.0% کا خسارہ ہوا کیونکہ ایران پر عائد پابندیاں اٹھائے جانے کے بعد ضرورت سے زیادہ رسد کا خوف دوبارہ پیدا ہو گیا۔ کمرشل بینک بھی سست روی کا شکار رہے اور صرف 2.5% منافع دیا جبکہ سینٹرل بینک نے دوران سال ڈسکاؤنٹ کی شرح کو 75 bps کم کر دیا تھا۔ اسی طرح کھاد کے شعبے نے بھی صرف 2.8% منافع دیا جب کھاد کے شعبے کی قیمتوں کے تعین کی طاقت پر سوال اٹھے کیونکہ یورپ کی بین الاقوامی قیمتیں پہلی مرتبہ مقامی قیمتوں سے بھی کم ہو گئیں۔

اُبھرتی ہوئی مارکیٹس کے انڈیکس میں پاکستان کی دوبارہ درجہ بندی اس سال کی شہ سُرخ تھی، کیونکہ اس پیش رفت کی توقعات بالآخر پوری ہوئیں۔ آگے بڑھتے ہوئے، ہمیں اعتماد ہے کہ مارکیٹ میں شرحیں دوبارہ طے کرنے کی بھرپور استعداد موجود ہے کیونکہ اُبھرتی ہوئی مارکیٹ کے فنڈز سے آمدات متوقع ہیں۔ اُمید کی جارہی ہے کہ پاکستان کی دوبارہ درجہ بندی کے بعد 300-400 ملین ڈالر کی آمد ہوگی۔ چنانچہ سرمایہ کاروں کو ہمارا مشورہ ہے کہ اسٹاک مارکیٹ کی فراہم کردہ طویل المیعاد قدر اور استعداد پر توجہ مرکوز کریں تاکہ ایکویٹی فنڈز میں جگہ بنائی جاسکے۔

# ڈائریکٹر رپورٹ

صنعتی ترقی میں اس سال تیزی آئی جیسا کہ بڑے پیمانے پر مینوفیکچرنگ کے انڈیکس میں YoY 3.26% (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۔

ختم 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 پاکستان Asset Allocation“ کی 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 لچک 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 سُست 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۔ تریسیل زر خلیجی معیشتوں کی کمزور معاشی صورتحال کے مطابق چکدار ہیں اور ان میں 6%~ کا اضافہ ہوا۔ تاہم ادائیگیوں کے توازن کی حتمی صورتحال بیرونی قرضوں کے حصول اور کثیرالجهتی ایجنسیوں سے فراہمیوں کے ذریعے 1.05 بلین USD فاضل پر تھی۔

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

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## **Fund Type and Category**

MCB Pakistan Asset Allocation Fund (MCB PAAF) is an Open-End Asset Allocation Scheme.

## **Fund Benchmark**

Weighted average of KSE 100 index, 6 months PKRV, 6 months KIBOR and Minimum Savings Rate as per amount invested in equities, Government securities, other debt & fixed income investments and cash and cash equivalents respectively on a particular time period.

## **Investment Objective**

MCB Pakistan Asset Allocation Fund is an asset allocation fund and its objective is to aim at providing a high absolute return by investing in equity and debt markets.

## **Investment Strategy**

The fund will aim to achieve the above-mentioned objective by investing up to 100% in equity securities or up to 100% in debt securities according to the market conditions.

## **Manager's Review**

The fund posted a return of 3.21% during the period under review while since inception return of fund stood at 68.98%. The fund's exposure in equity was around 52.5% at the end this fiscal year. The fund has remained focused on maintaining a balance between defensive high yielding and growth stocks.

On the fixed income side, the fund has decreased T-Bill exposure to 10.3% from 16.8% while the exposure in PIBs was decreased to 1.0% from 32.5%.

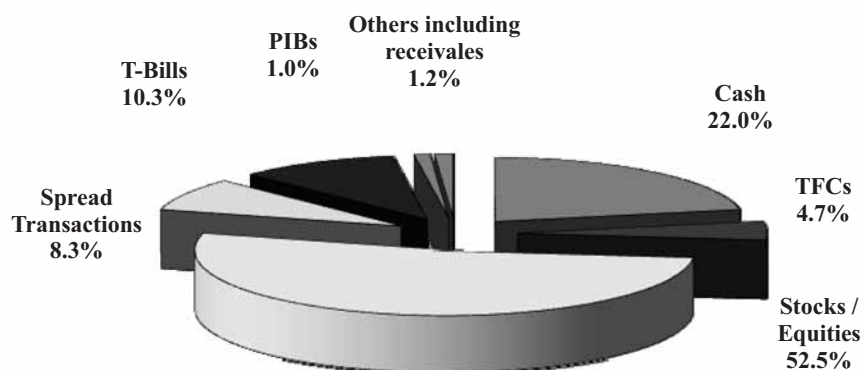
The Net Assets of the Fund as at June 30, 2016 stood at Rs. 2,718 million as compared to Rs.2640 million as at June 30, 2015 registering an increase of 2.95%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs.79.0558 as compared to opening NAV of Rs.77.3785 per unit as at June 30, 2015 registering an increase of Rs.1.6773 per unit.

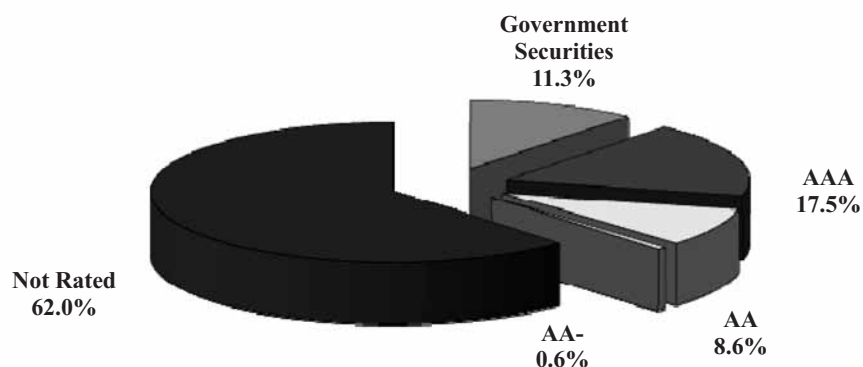
## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016

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



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



Mr. Muhammad Asim, CFA  
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](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB PAKISTAN ASSET ALLOCATION FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Asset Allocation 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 JUNE 30, 2016

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

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

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

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

2. The directors have confirmed that none of them are serving as a director in more than seven listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. 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 JUNE 30, 2016

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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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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## **Review report to the Unit holders of MCB Pakistan Asset Allocation Fund (“the Fund”) on the Statement of Compliance with the Code of Corporate Governance**

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (“the Code”) prepared by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (“the Management Company”) of the Fund for the year ended 30 June 2016 to comply with the requirements of Clause No. 5.19 of Rule Book of Pakistan Stock Exchange (formerly Listing Regulation No. 35 of Lahore Stock Exchange Limited) where the Fund is listed.

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

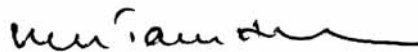
As a part of our audit of the financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors’ statement on internal control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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Fund’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.

**Date: 5 August 2016**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
**Chartered Accountants**

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

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



**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
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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 Pakistan Asset Allocation Fund** ("the Fund"), which comprise the statement of assets and liabilities as at 30 June 2016, and the related income statement, statement of comprehensive income, distribution statement, cash flow statement, statement of 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 the financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as the management determines is necessary to enable the preparation of the 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 our 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, we consider internal control relevant to the Fund'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 Fund's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### *Opinion*


In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at 30 June 2016 and of its financial performance, its 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 the Non-Banking Finance Companies (Establishment and Regulation Rules, 2003) and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

**Date: 5 August 2016**

**Karachi**

  
**KPMG Taseer Hadi & Co.**  
Chartered Accountants  
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT 30 JUNE 2016

	Note	30 June 2016	30 June 2015
<b>(Rupees in '000)</b>			
<b>Assets</b>			
Balance with banks	4	635,630	252,325
Investments	5	2,210,362	2,366,195
Fair value of derivative asset		4,466	1,257
Dividend and profits receivable	6	10,589	52,117
Receivable against sale of investments		3,831	-
Receivable from National Clearing Company of Pakistan Limited		14,232	41,067
Advances, deposits and prepayments	7	4,402	4,124
<b>Total assets</b>		<b>2,883,512</b>	<b>2,717,085</b>
<b>Liabilities</b>			
Payable to the Management Company	8	5,761	14,736
Payable to Central Depository Company of Pakistan Limited - Trustee	9	356	297
Payable to Securities and Exchange Commission of Pakistan	10	2,983	1,326
Payable against redemption of units		41	41
Payable against purchase of investment		99,503	-
Accrued and other liabilities	11	56,576	60,984
<b>Total liabilities</b>		<b>165,220</b>	<b>77,384</b>
<b>Contingencies and commitments</b>	12		
<b>Net assets</b>		<b>2,718,292</b>	<b>2,639,701</b>
<b>Unit holders' fund</b>		<b>2,718,292</b>	<b>2,639,701</b>
<b>(Number of units)</b>			
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>34,384,476</b>	<b>34,114,128</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>	3.7	<b>79.0558</b>	<b>77.3785</b>

The annexed notes from 1 to 20 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 30 JUNE 2016

	Note	30 June 2016	30 June 2015
		(Rupees in '000)	
<b>Income</b>			
Capital (loss) / gain on sale of investments - net		(27,241)	160,203
Dividend income		55,824	19,653
Profit on bank deposits		29,506	20,304
Income from government securities		106,661	70,939
Income from term finance certificates		5,164	2,741
Other income		18	22
		<u>169,932</u>	<u>273,862</u>
Net unrealised appreciation in the fair value of future contracts		4,466	1,257
Provision for impairment of equity securities classified as available for sale		(24,973)	-
Net unrealised (diminution) / appreciation on remeasurement of investments classified as 'at fair value through profit or loss'	5.1	<u>(1,171)</u>	<u>799</u>
<b>Total income</b>		<u>148,254</u>	<u>275,918</u>
<b>Expenses</b>			
Remuneration of the Management Company	8.1	62,796	27,923
Sindh Sales tax and Federal Excise Duty on Management Fee	8.1 & 11.1	20,245	9,326
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	4,186	2,316
Sindh Sales tax on remuneration of Trustee	9.2	534	-
Annual fee to Securities and Exchange Commission of Pakistan	10	2,983	1,326
Allocated expenses and related taxes	11.4	2,120	-
Brokerage and settlement charges		6,041	7,200
Auditor's remuneration	13	818	730
Other expenses		1,045	816
		<u>100,768</u>	<u>49,637</u>
<b>Net operating income for the year</b>		<u>47,486</u>	<u>226,281</u>
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed			
-from realized / unrealized capital gain		48,493	78,729
-from other income		(71,103)	97,797
Provision for Workers' Welfare Fund	11.2	-	(8,056)
<b>Net income for the year before taxation</b>		<u>24,876</u>	<u>394,751</u>
Taxation	14	-	-
<b>Net income for the year after taxation</b>		<u>24,876</u>	<u>394,751</u>
<b>Earnings per unit</b>	15		

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer


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

  
\_\_\_\_\_  
Director

# STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2016

	<i>Note</i>	<b>30 June 2016</b>	30 June 2015
		<b>(Rupees in '000)</b>	
<b>Net income for the year after taxation</b>		<b>24,876</b>	394,751
<b>Other comprehensive income</b>			
<i>Items that are or may be reclassified subsequently to income statement</i>			
Unrealised appreciation / (diminution) in investments classified as 'available for sale' - net	5.2	<b>44,518</b>	(2,876)
Deficit on revaluation of investments classified as 'available for sale' transferred to income statement on disposal		<b>2,853</b>	-
Deficit on revaluation of investment classified as 'available for sale' transferred to income statement as impairment loss	5.2.1.3	<b>6,816</b>	-
<b>Total comprehensive income for the year</b>		<b>79,063</b>	391,875

The annexed notes from 1 to 20 form an integral part of these financial statements.

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

  
**Director**

# DISTRIBUTION STATEMENT FOR THE YEAR ENDED 30 JUNE 2016

	30 June 2016	30 June 2015
	(Rupees in '000)	
<b>Accumulated loss brought forward:</b>		
- Realised loss	(595,299)	(308,883)
- Unrealised (loss) / income	(172,208)	3,954
	<u>(767,507)</u>	<u>(304,929)</u>
Net income for the year	24,876	394,751
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised diminution	(5,897)	(641,699)
<b>Distributions to the unit holders of the Fund:</b>		
Interim distribution at the rate of Rs.0.8 per unit for the year ended 30 June 2016 declared on 27 June 2016		
- Cash distribution	(21,611)	-
Interim distribution at the rate of Rs.8.5 per unit for the year ended 30 June 2015 declared on 22 June 2015		
- Cash distribution	-	(215,630)
<b>Accumulated loss carried forward</b>	<u>(770,139)</u>	<u>(767,507)</u>
<b>Accumulated loss comprising of:</b>		
- Realised loss	(597,931)	(595,299)
- Unrealised loss	(172,208)	(172,208)
	<u>(770,139)</u>	<u>(767,507)</u>

The annexed notes from 1 to 20 form an integral part of these financial statements.

  
\_\_\_\_\_  
Chief Executive Officer

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

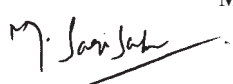
  
\_\_\_\_\_  
Director

# STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND FOR THE YEAR ENDED 30 JUNE 2016

	30 June 2016	30 June 2015
	(Rupees in '000)	
<b>Net assets at beginning of the year</b>	<b>2,639,701</b>	779,117
Issue of 36,150,757 units (2015: 44,322,850 units)	<b>2,807,431</b>	3,626,826
Redemption of 35,880,409 units (2015: 21,049,164 units)	<b>(2,808,902)</b>	(1,765,961)
	<b>(1,471)</b>	1,860,865
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
- amount representing loss / (income) and capital losses / (gains) transferred to income statement		
-from realized / unrealized capital gain	<b>(48,493)</b>	(78,729)
-from other income	<b>71,103</b>	(97,797)
- amount representing loss and capital losses that forms part of unit holders' fund transferred to Distribution Statement	<b>5,897</b>	641,699
	<b>28,507</b>	465,173
Net element of loss and capital losses included in prices of units issued less those in units redeemed transferred to Distribution Statement	<b>(5,897)</b>	(641,699)
Net income for the year (excluding net unrealised (diminution) / appreciation in fair value of investments classified as 'at fair value through profit or loss', future contracts, net capital loss on sale of investments and deficit on revaluation of investments classified as 'available for sale' transferred to) income statement on disposal	<b>55,638</b>	232,492
Capital (loss) / gain on sale of investments - net	<b>(27,241)</b>	160,203
Net unrealised appreciation on remeasurement of investments classified as at fair value through profit or loss' and future contracts	<b>3,295</b>	2,056
Deficit on revaluation of investments classified as 'available for sale' transferred to income statement on disposal	<b>2,853</b>	-
Net unrealised appreciation / (diminution) in fair value / reclassification adjustment for net gains realised on disposal of investments classified as 'available for sale'	<b>44,518</b>	(2,876)
Total comprehensive income for the year	<b>79,063</b>	391,875
Distributions during the year	<b>(21,611)</b>	(215,630)
<b>Net assets at end of the year</b>	<b>2,718,292</b>	2,639,701
	(Rupees)	
<b>Net asset value per unit at beginning of the year</b>	<b>77.3785</b>	71.8700
<b>Net asset value per unit at end of the year</b>	<b>79.0558</b>	77.3785

The annexed notes from 1 to 20 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 30 JUNE 2016

	30 June 2016	30 June 2015
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	24,876	394,751
<b>Adjustments for non-cash and other items:</b>		
Dividend income	(55,824)	(19,653)
Net unrealised (diminution) / appreciation on remeasurement of investments classified as 'at fair value through profit or loss'	1,171	(799)
Provision for impairment of equity securities classified as available for sale	24,973	-
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed		
-from realized / unrealized capital gain	(48,493)	(78,729)
-from other income	71,103	(97,797)
	(7,070)	(196,978)
Net cash generated from operations before working capital changes	17,806	197,773
<b>Working capital changes</b>		
<i>(Increase) / decrease in assets</i>		
Investments	181,978	(1,715,039)
Fair value of derivative asset	(3,209)	(1,257)
Dividend and profits receivables	43,848	(29,206)
Receivable against sale of investments	(3,831)	-
Receivable from National Clearing Company of Pakistan Limited	26,835	(25,670)
Advances, deposits and prepayments	(278)	4,067
	245,343	(1,767,105)
<i>Increase / (decrease) in liabilities</i>		
Payable to the Management Company	(8,975)	12,233
Payable to Central Depository Company of Pakistan Limited - Trustee	59	171
Payable to Securities and Exchange Commission of Pakistan	1,657	696
Fair value of derivative liability	-	(10)
Payable against redemption of units	-	41
Payable against purchase of investment	99,503	-
Accrued and other liabilities	(4,408)	50,366
	87,836	63,497
Dividend income received	55,402	16,258
<b>Net cash generated from / (used in) operating activities</b>	406,387	(1,489,577)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts against issuance of units	2,807,431	3,626,826
Distribution paid	(21,611)	(215,630)
Payments against redemption of units	(2,808,902)	(1,765,961)
<b>Net cash (used in) / generated from financing activities</b>	(23,082)	1,645,235
Net increase in cash and cash equivalents	383,305	155,658
Cash and cash equivalents at beginning of the year	252,325	96,667
<b>Cash and cash equivalents at end of the year</b>	635,630	252,325

The annexed notes from 1 to 20 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 30 JUNE 2016

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Asset Allocation Fund ["the Fund"] was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 17 December 2007. It was constituted under a Trust Deed dated 22 November 2007 between MCB Asset Management Company Limited (MCB-AMC) as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

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

The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on Pakistan Stock Exchange (formerly Lahore Stock Exchange).

Under circular 7 dated 6 March 2009 issued by the SECP, the Fund is categorised as an "Asset Allocation Scheme". The Management Company is in the process of making requisite amendments in relation to categorisation, investment objectives and relevant benchmark in the constitutive documents of the Fund.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2++' (stable outlook) to the Management Company and has assigned a short-term ranking of "4-Star" & long-term of "5-Star" to the Fund.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

### 2.2 Basis of measurement

These financial statements have been prepared on the basis of historical cost convention except that financial assets are maintained at fair value.

### 2.3 Functional and presentation currency

These Financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

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

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## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan requires management to make judgments, estimates and assumptions that affect the application of policies and reported amount of assets and 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 results of which form the basis of making the judgements about the carrying values of assets and liabilities which are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of its revision and future periods if the revision affects both current and future periods. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have most significant effect on the amount recognised in the financial statements are as follows:

### Investments stated at fair value and derivative financial instruments

The management company has determined fair value of certain investments by using quotations from active market valuation done by Mutual Fund Association of Pakistan. Fair value estimates are made at a specific point in time, based on market conditions and information about the financial instruments. These estimates are subjective in nature and involve uncertainties and matter of judgements (e.g. valuation, interest rates, etc.) and therefore, cannot be determined with precision.

### Other assets

Judgement is also involved in assessing the realisability of the assets balances.

## 2.5 New, amended and revised standards and interpretations of IFRSs

IFRS 10 'Consolidated Financial Statements', IFRS 11 'Joint Arrangements', IFRS 12 'Disclosure of Interests in Other Entities' and IFRS 13 'Fair Value Measurements'. These standards became applicable from 1 July 2015, as per the adoption status of IFRS in Pakistan.

The application of IFRS 10, IFRS 11 and IFRS 12 did not have any impact on the financial statements of the Fund.

IFRS 13 Fair Value Measurement, consolidates the guidance on how to measure fair value, which was spread across various IFRS, into one comprehensive standard. It introduces the use of an exit price, as well as extensive disclosure requirements, particularly the inclusion of non-financial instruments into the fair value hierarchy. The application of IFRS 13 did not have an impact on the financial statements of the Fund, except certain additional disclosures.

## 2.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following standards, amendments and interpretations of approved accounting standards are only effective for accounting periods beginning on or after 1 July 2016:

- Amendments to IAS 38 Intangible Assets and IAS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 January 2016) introduce severe restrictions on the use of revenue-based amortization for intangible assets and explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. The rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated', or when the intangible asset is expressed as a measure of revenue.
- Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10 - Consolidated Financial Statements and IAS 28 - Investments in Associates and Joint Ventures) [effective for annual periods beginning on or after 1 January 2016] clarifies (a) which subsidiaries of an investment entity are consolidated; (b) exemption to present consolidated financial statements is available to a parent entity that is a subsidiary of an investment entity; and (c) how an entity that is not an investment entity should apply the equity method of accounting for its investment in an associate or joint venture that is an investment entity.

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

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- Accounting for Acquisitions of Interests in Joint Operations - Amendments to IFRS 11 'Joint Arrangements' (effective for annual periods beginning on or after 1 January 2016) clarify the accounting for the acquisition of an interest in a joint operation where the activities of the operation constitute a business. They require an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a business.
- Amendment to IAS 27 'Separate Financial Statements' (effective for annual periods beginning on or after 1 January 2016) allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements.
- Agriculture: Bearer Plants [Amendment to IAS 16 and IAS 41] (effective for annual periods beginning on or after 1 January 2016). Bearer plants are now in the scope of IAS 16 Property, Plant and Equipment for measurement and disclosure purposes. Therefore, a company can elect to measure bearer plants at cost. However, the produce growing on bearer plants will continue to be measured at fair value less costs to sell under IAS 41 Agriculture. A bearer plant is a plant that: is used in the supply of agricultural produce; is expected to bear produce for more than one period; and has a remote likelihood of being sold as agricultural produce. Before maturity, bearer plants are accounted for in the same way as self-constructed items of property, plant and equipment during construction.
- Amendments to IAS 12 'Income Taxes' are effective for annual periods beginning on or after 1 January 2017. The amendments clarify that the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset.
- Amendments to IAS 7 'Statement of Cash Flows' are part of IASB's broader disclosure initiative and are effective for annual periods beginning on or after 1 January 2017. The amendments require disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flow and non-cash changes.
- Amendments to IFRS 2 - Share-based Payment clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognised for new and outstanding awards.

Annual Improvements 2012-2014 cycles (amendments are effective for annual periods beginning on or after 1 July 2016). The new cycle of improvements contain amendments to the following standards:

- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. IFRS 5 is amended to clarify that if an entity changes the method of disposal of an asset (or disposal group) i.e. reclassifies an asset from held for distribution to owners to held for sale or vice versa without any time lag, then such change in classification is considered as continuation of the original plan of disposal and if an entity determines that an asset (or disposal group) no longer meets the criteria to be classified as held for distribution, then it ceases held for distribution accounting in the same way as it would cease held for sale accounting.
- IFRS 7 'Financial Instruments- Disclosures'. IFRS 7 is amended to clarify when servicing arrangements on continuing involvement in transferred financial assets in cases when they are derecognized in their entirety are in the scope of its disclosure requirements. IFRS 7 is also amended to clarify that additional disclosures required by 'Disclosures: Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS7)' are not specifically required for inclusion in condensed interim financial statements for all interim periods.
- IAS 19 'Employee Benefits'. IAS 19 is amended to clarify that high quality corporate bonds or government bonds used in determining the discount rate should be issued in the same currency in which the benefits are to be paid.
- IAS 34 'Interim Financial Reporting'. IAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements and disclosed elsewhere should be cross referred.

The above amendments are not likely to have an impact on the Fund's financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 30 JUNE 2016

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### 3. SIGNIFICANT ACCOUNTING POLICIES

The following significant accounting policies have been applied in preparation of these financial statement. These accounting policies have been applied consistently to all years presented except for the additional disclosures (refer note 2.5).

#### 3.1 Financial instruments

The Fund classifies its financial instruments in the following categories:

##### a) Financial instruments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative. Financial instruments as 'at fair value through profit or loss' are measured at fair value and changes therein are recognised in the Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

##### b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of cash and bank balances, receivable against sale of investments, deposits and dividend and profit receivable.

##### c) 'Available-for-sale'

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

##### d) Financial liabilities

Financial liabilities, other than those as 'at fair value through profit or loss', are measured at amortised cost using the effective yield method.

#### *Recognition*

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instruments.

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention such as 'T+2' purchases and sales are recognised at the trade date. Trade date is the date on which the Fund commits to purchase or sell the financial assets.

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

#### *Measurement*

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

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

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

### ***Basis of valuation of equity securities***

The investment of the Fund in equity securities is valued on the basis of closing quoted market prices available at the stock exchange.

### ***Basis of valuation of debt securities***

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

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009 issued by the SECP.

### ***Basis of valuation of government securities***

The fair value of the investments in government securities is determined by reference to the quotations obtained from the PKRV sheet on the Reuters page.

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

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

### ***Impairment***

Financial assets not carried 'at fair value through profit or loss' are reviewed at each balance sheet date to determine whether there is any indication of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of asset and that loss events had an impact on the future cash flows of that asset that can be estimated reliably.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of an investment in an equity security, a significant or prolonged decline in fair value below its cost is objective evidence of impairment. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non-performing investments in compliance with Circular 13 of 2009 issued by SECP.

### ***Derecognition***

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the financial assets and the transfer qualifies for derecognising in accordance with International Accounting Standard 39: Financial Instruments: Recognition and Measurement.

A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expired.

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

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## *Offsetting of financial instruments*

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

## **3.2 Derivatives**

Derivative instruments are initially recognised at fair value. Subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

## **3.3 Preliminary expenses**

Preliminary expenses represent expenditure incurred prior to the commencement of operations of the Fund. These costs have been amortised over a period of five years commencing from March 16, 2008, as per the requirement of the Trust Deed of the Fund.

## **3.4 Provisions**

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

## **3.5 Taxation**

### **Current**

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

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

### **Deferred**

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax assets on unutilised tax losses to the extent that these will be available for set off against future taxable profits.

However, the Fund has previously availed the tax exemption by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders. Accordingly, no current tax and deferred tax has been recognized in these financial statements.

## **3.6 Accrued and other liabilities**

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

## **3.7 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.

## **3.8 Unit holders' Fund**

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

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

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## 3.9 Issue and redemption of units

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

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

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit 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 issued and redeemed during an accounting period which pertains to income / (losses) held in the Unit Holder's Fund 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 recognised in the Income Statement.

Element of income arising on issuance and redemption of units is bifurcated in to portion attributable to capital gain / losses (realized and unrealized) and other income appearing in book of accounts of the Funds.

## 3.11 Revenue recognition

- Mark-up on term finance certificates, government securities and money market placements are recognised on an accrual basis.
- Realized capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Unrealised capital gain/ (losses) arising on re-measurement of investments classified as Financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Profits on bank deposits are recognised on an accrual basis.
- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the income statement on the date of issue and redemption of units.

## 3.12 Expenses

All expenses including management fee, trustee fee and Securities Exchange Commission of Pakistan fee are recognised in the Income Statement on an accrual basis.

## 3.13 Cash and cash equivalents

Cash and cash equivalents comprise of deposits and current accounts maintained with banks. Cash equivalents are short term highly liquid investments that are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

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

## 3.14 Other assets

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

## 3.15 Dividend distributions and appropriations

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

4. BALANCE WITH BANKS	30 June 2016	30 June 2015
	(Rupees in '000)	
Current accounts	10,423	4,925
Saving accounts	4.1 <u>625,207</u>	<u>247,400</u>
	<u>635,630</u>	<u>252,325</u>

4.1 These represent balances in saving accounts and carry mark-up rates ranging from 3.75% to 6.25% per annum (2015: 4.5% to 9.9% per annum) .

## 5. INVESTMENTS

### 'Investments at fair value through profit or loss' - held for trading

- Quoted equity securities	5.1.1	294,656	281,708
- Term finance certificates - listed	5.1.2	135,222	10,007
- Government securities	5.1.3	<u>298,413</u>	<u>522,200</u>
		728,291	813,915

### 'Investments classified as available for sale'

- Quoted equity securities	5.2.1	1,452,524	733,205
- Government securities	5.2.2	<u>29,547</u>	<u>819,075</u>
		1,482,071	1,552,280
		<u>2,210,362</u>	<u>2,366,195</u>

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

## 5.1 'Investments at fair value through profit or loss' - held for trading

### 5.1.1 Quoted equity securities

Name of investee company	As at 1 July 2015	Purchased during the year	Bonus/ rights issue during the year	Sales during the year	As at 30 June 2016	Carrying value as at 30 June 2016	Market value as at 30 June 2016	Appreciation / (diminution) as at 30 June 2016	Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
-----Number of shares-----											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
----- (Rupees in '000) -----											
<b>Refinery</b>											
Attock Refinery Limited	-	168,500	-	(168,500)	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil and Gas Exploration Companies</b>											
Oil and Gas Development Company Limited	76,700	503,500	-	(299,200)	281,000	39,099	38,798	(301)	1.43%	1.76%	0.01%
Pakistan Oilfields Limited	-	5,900	-	(5,900)	-	-	-	-	-	-	-
Pakistan Petroleum Limited	18,000	166,000	-	(183,500)	500	75	78	-	-	-	-
						<b>39,174</b>	<b>38,876</b>	<b>(301)</b>	<b>1.43%</b>	<b>1.76%</b>	<b>0.01%</b>
<b>Oil and Gas Marketing Companies</b>											
Pakistan State Oil Limited	35,500	241,500	-	(258,000)	19,000	7,215	7,134	(81)	0.26%	0.32%	0.01%
Sui Northern Gas Pipelines Limited	-	3,401,500	-	(3,201,500)	200,000	7,349	7,258	(91)	0.27%	0.33%	0.03%
Sui Southern Gas Limited	163,500	1,245,500	-	(1,343,500)	65,500	1,988	1,803	(185)	0.07%	0.08%	0.01%
						<b>16,552</b>	<b>16,195</b>	<b>(357)</b>	<b>0.60%</b>	<b>0.73%</b>	<b>0.05%</b>
<b>Fertilizer</b>											
Dawood Hercules Corporation Limited	-	107,900	-	(107,900)	-	-	-	-	-	-	-
Engro Corporation Limited	322,000	1,351,200	-	(1,559,700)	113,500	38,119	37,792	(327)	1.39%	1.71%	0.02%
Engro Fertilizers Limited	178,500	3,598,000	-	(3,377,500)	399,000	26,924	25,728	(1,196)	0.95%	1.16%	0.03%
Fauji Fertilizer Bin Qasim Limited	1,286,500	4,868,500	-	(6,155,000)	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	355,500	-	(355,500)	-	-	-	-	-	-	-
						<b>65,043</b>	<b>63,520</b>	<b>(1,523)</b>	<b>2.34%</b>	<b>2.87%</b>	<b>0.05%</b>
<b>Cement</b>											
Cherat Cement Limited	-	452,000	-	(437,000)	15,000	1,727	1,794	67	0.07%	0.08%	0.01%
D G Khan Cement Company Limited	-	277,000	-	(277,000)	-	-	-	-	-	-	-
Fauji Cement Company Limited	208,500	481,500	-	(690,000)	-	-	-	-	-	-	-
Lucky Cement Limited	-	94,800	-	(94,000)	800	397	519	122	0.02%	0.02%	-
Maple Leaf Cement Factory Limited	112,500	2,392,500	-	(2,505,000)	-	-	-	-	-	-	-
Pak Cement Limited	-	429,500	-	(429,500)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	107,500	-	(107,500)	-	-	-	-	-	-	-
						<b>2,124</b>	<b>2,313</b>	<b>189</b>	<b>0.09%</b>	<b>0.10%</b>	<b>0.01%</b>
<b>Automobile Assembler</b>											
Indus Motor Company Limited	-	400	-	(400)	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of investee company	As at 1 July 2015	Purchased during the year	Bonus/ rights issue during the year	Sales during the year	As at 30 June 2016	Carrying value as at 30 June 2016	Market value as at 30 June 2016	Appreciation / (diminution) as at 30 June 2016	Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares held as a percentage of total paid up capital of the investee company
----- (Rupees in '000) -----											
----- Number of shares -----											
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.											
<b>Food and Personal Care Products</b>											
Engro Foods Limited	42,500	368,500	-	(406,000)	5,000	795	817	22	0.03%	0.04%	-
						<b>795</b>	<b>817</b>	<b>22</b>	<b>0.03%</b>	<b>0.04%</b>	-
<b>Engineering</b>											
Mughal Iron and Steel Industries Limited	-	282,000	-	-	282,000	20,316	18,948	(1,368)	0.70%	0.86%	0.22%
						<b>20,316</b>	<b>18,948</b>	<b>(1,368)</b>	<b>0.70%</b>	<b>0.86%</b>	<b>0.22%</b>
<b>Cable and Electrical Goods</b>											
Pak Elektron Limited	451,000	4,065,500	-	(3,484,000)	1,032,500	67,744	66,751	(993)	2.46%	3.02%	0.21%
TPL Trakker Limited	-	129,500	-	(129,500)	-	-	-	-	-	-	-
						<b>67,744</b>	<b>66,751</b>	<b>(993)</b>	<b>2.46%</b>	<b>3.02%</b>	<b>0.21%</b>
<b>Textile Composite</b>											
Nishat Mills Limited	-	300,000	-	-	300,000	29,775	32,370	2,595	1.19%	1.46%	0.09%
						<b>29,775</b>	<b>32,370</b>	<b>2,595</b>	<b>1.19%</b>	<b>1.46%</b>	<b>0.09%</b>
<b>Technology and Communication</b>											
Hum Network Limited*	-	35,500	-	(35,500)	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited (P.T.C.L. "A")	-	406,000	-	(341,000)	65,000	1,012	977	(35)	0.04%	0.04%	-
						<b>1,012</b>	<b>977</b>	<b>(35)</b>	<b>0.04%</b>	<b>0.04%</b>	-
<b>Pharmaceuticals</b>											
Searl Company Limited	-	58,500	-	(33,000)	25,500	13,733	13,672	(61)	0.50%	0.62%	0.02%
						<b>13,733</b>	<b>13,672</b>	<b>(61)</b>	<b>0.50%</b>	<b>0.62%</b>	<b>0.02%</b>
<b>Power Generation &amp; Distribution</b>											
K-Electric Limited**	-	7,138,500	-	(2,935,500)	4,203,000	33,529	33,876	347	1.25%	1.53%	0.02%
						<b>33,529</b>	<b>33,876</b>	<b>347</b>	<b>1.25%</b>	<b>1.53%</b>	<b>0.02%</b>
<b>Commercial Banks</b>											
Bank Alfalah Limited	17,500	76,000	-	(18,500)	75,000	1,898	1,918	20	0.07%	0.09%	-
Habib Bank Limited	-	2,000	-	(2,000)	-	-	-	-	-	-	-
MCB Bank Limited	-	3,900	-	(3,900)	-	-	-	-	-	-	-
National Bank of Pakistan Limited	22,500	62,500	-	(85,000)	-	-	-	-	-	-	-
United Bank Limited	1,500	48,500	-	(25,000)	25,000	4,428	4,423	(5)	0.16%	0.20%	-
						<b>6,326</b>	<b>6,341</b>	<b>15</b>	<b>0.23%</b>	<b>0.29%</b>	-
<b>Total - 30 June 2016</b>						<b>296,123</b>	<b>294,656</b>	<b>(1,470)</b>	<b>10.86%</b>	<b>13.32%</b>	
Total - 30 June 2015						280,035	281,708	1,673	10.67%	11.91%	

\* Par value of Rs. 1 each

\*\* Par value of Rs. 3.5 each

**5.1.1.1** Investments include shares with market value aggregating to Rs. Nil (30 June 2015: Rs. 32,852 million) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

**5.1.1.2** Cost of investment in equity securities is Rs.379,349 million (2015: Rs. 301,273 million).

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

## 5.1.2 Term finance certificates - listed

Name of investee company	Issue Date	As at 1 July 2015	Purchased during the year	Sold / matured during the year	As at 30 June 2016	Carrying cost as at 30 June 2016	Market value as at 30 June 2016	Appreciation / (diminution) as at 30 June 2016	Market value		Face value percentage in relation to the size of the issue
									as a percentage of net assets	as a percentage of total investments	
----- Number of certificates ----- (Rupees in '000) -----											
Certificates having a face value of Rs. 5,000 each unless stated otherwise											
Habib Bank Limited-I	19-Feb-16	-	1,250	-	1,250	125,000	125,019	19	4.60%	5.66%	1.25%
Bank Alfalah Limited-V	20-Feb-13	2,000	-	-	2,000	10,003	10,203	200	0.38%	0.46%	0.20%
<b>Total - 30 June 2016</b>						<b>135,003</b>	<b>135,222</b>	<b>219</b>	<b>4.98%</b>	<b>6.12%</b>	
<b>Total - 30 June 2015</b>						10,124	10,007	(117)	0.38%	0.42%	

**5.1.2.1** These Term Finance Certificates cost Rs. 135.149 million (2015: Rs. 10.149 million).

**5.1.2.2** Significant terms and conditions of outstanding Term Finance Certificates are as follows:

	Mark-up Rate per Annum	Issue date	Maturity date	Rating
Habib Bank Limited-I	6 months KIBOR+0.5%	19-Feb-16	19-Feb-26	AAA
Bank Alfalah Limited-V	6 months KIBOR+1.25%	20-Feb-13	20-Feb-21	AA-

### 5.1.3 Government Securities

**5.1.3.1** These treasury bills cost Rs. 291,688 million (2015: Rs 456,428 million). These will mature latest by 4 August 2016 (2015: 17 September 2015) and carry interest rate ranging from 5.8% to 6.8% (2015: 9.5%) per annum.

**5.1.3.2** These Pakistan Investment Bonds cost Rs. Nil (2015: Rs 66 113 million).

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

5.2 'Investments classified as available for sale'

5.2.1 Quoted equity securities

Name of investee company	As at 1 July 2015	Purchased during the year	Bonus/ rights issue during the year	Sales during the year	As at 30 June 2016	(Rupees in '000)			
						Carrying Cost as at 30 June 2016	Market value as at 30 June 2016	Appreciation/ (Diminution) as at 30 June 2016	Market value as percentage of net assets
									Par value as percentage of issued capital of the investee company
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.									
<b>Oil and Gas Exploration Companies</b>									
Oil and Gas Development Company Limited	200,500	1,300,000	-	-	418,000	60,811	57,713	(3,098)	2.12%
Pakistan Oilfields Limited	155,700	245,000	-	(1,082,500)	235,000	83,836	81,658	(2,178)	2.61%
Pakistan Petroleum Limited	300,000	25,000	-	(165,700)	-	-	-	-	3.69%
				(325,000)		144,647	139,371	(5,276)	6.30%
									0.11%
<b>Refinery</b>									
National Refinery Limited	22,200	-	-	(2,200)	-	-	-	-	-
<b>Oil and Gas Marketing Companies</b>									
Hi-Tech Lubricant Limited	-	746,500	-	(40,000)	706,500	41,279	41,804	525	1.54%
Pakistan State Oil Limited	88,200	412,300	-	(420,500)	80,000	30,592	30,037	(555)	1.10%
Sui Northern Gas Pipelines Limited	-	508,500	-	(500,000)	8,500	314	308	(6)	0.01%
						72,185	72,149	(36)	2.65%
									3.26%
									0.64%
<b>Chemical</b>									
ICI Pakistan Limited	-	86,300	-	-	86,300	42,245	38,405	(3,840)	1.41%
						42,245	38,405	(3,840)	1.66%
<b>Fertilizer</b>									
Engro Corporation Limited	-	1,023,600	-	(445,000)	578,600	189,313	192,656	3,343	7.09%
Engro Fertilizers Limited	-	2,804,000	-	(1,655,000)	1,149,000	75,361	74,088	(1,273)	8.72%
Fatima Fertilizer Company Limited	489,000	550,000	-	(1,039,000)	-	-	-	-	3.35%
Fuji Fertilizer Bin Qasim Limited	-	600,000	-	(600,000)	-	-	-	-	-
Fuji Fertilizer Company Limited	542,600	-	-	(542,600)	-	-	-	-	-
						264,674	266,744	2,070	9.82%
									12.07%
									0.20%
<b>Cement</b>									
Cherat Cement Limited	-	434,500	-	-	434,500	45,059	51,953	6,894	1.91%
D G Khan Cement Company Limited	300,000	802,500	-	(787,500)	315,000	56,629	60,004	3,375	2.21%
Fuji Cement Company Limited	-	750,000	-	(750,000)	-	-	-	-	2.35%
Kohat Cement Limited	-	125,000	-	-	125,000	31,164	32,740	1,576	1.20%
Lucky Cement Limited	-	187,700	-	(65,200)	122,500	69,191	79,442	10,251	1.48%
Maple Leaf Cement Factory Limited	-	500,000	-	(500,000)	-	-	-	-	2.92%
Pak Cement Limited	308	-	-	(4)	304	5	5	-	-
						202,048	224,144	22,096	8.24%
									10.13%
									0.44%
<b>Engineering</b>									
Amrel Steels Limited	-	25,219	-	(25,219)	-	-	-	-	-
International Steels Limited	1,000,000	200,000	-	(1,200,000)	-	-	-	-	-
Mughal Iron and Steel Industries Limited	-	420,000	-	(205,500)	214,500	15,529	14,412	(1,117)	0.53%
						15,529	14,412	(1,117)	0.53%
									0.65%
									0.17%
									0.17%
<b>Automobile Assembler</b>									
Indus Motor Company Limited	81,250	49,600	-	(130,850)	-	-	-	-	-
Millat Tractors Limited	70,900	-	-	(70,900)	-	-	-	-	-
						-	-	-	-
						-	-	-	-
<b>Food and Personal Care Products</b>									
Al-Shaheer Corporation	-	221,000	-	(221,000)	-	-	-	-	-
Engro Foods Limited	-	125,000	-	(125,000)	-	-	-	-	-
Murree Brewery Company Limited	-	50,000	-	-	50,000	31,017	30,901	(116)	1.14%
Shezan International Limited (Note 5.2.1.3)	4,650	-	-	-	4,650	5,882	2,099	(3,783)	0.08%
									1.40%
									0.09%
									0.22%

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

Name of investee company	As at 1 July 2015	Purchased during the year	Bonus/ rights issue during the year	Sales during the year	As at 30 June 2016	Carrying Cost as at 30 June 2016	Market value as at 30 June 2016	Appreciation/ (Diminution) as at 30 June 2016	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued capital of the investee company
						(Rupees in '000)					
<b>Paper and Board</b>						36,899	33,000	(3,899)	1.22%	1.49%	0.22%
Packages Limited	80,000	200,000	-	(279,200)	800	459	509	50	0.02%	0.02%	-
<b>Automobile Parts and Accessories</b>						459	509	50	0.02%	0.02%	-
Thal Limited*	-	100,000	-	(99,500)	500	140	142	2	0.01%	0.01%	-
<b>Glass and Ceramics</b>						140	142	2	0.01%	0.01%	-
Tariq Glass Industries Limited	535,500	160,000	-	(5,500)	690,000	43,632	51,026	7,394	1.88%	2.31%	0.94%
<b>Cable and Electrical Goods</b>						43,632	51,026	7,394	1.88%	2.31%	0.94%
Pak Elektron Limited	402,000	1,025,000	38,750	(877,000)	588,750	36,629	38,063	1,434	1.40%	1.72%	0.12%
<b>Textile Composite</b>						36,629	38,063	1,434	1.40%	1.72%	0.12%
Nishat Mills Limited	-	1,322,500	-	(800,000)	522,500	53,465	56,378	2,913	2.07%	2.55%	0.15%
<b>Technology and Communication</b>						53,465	56,378	2,913	2.07%	2.55%	0.15%
Hum Network Limited**	-	784,000	-	(784,000)	-	-	-	-	-	-	-
Systems Limited	390,368	-	-	(62,002)	328,366	11,941	18,927	6,986	0.70%	0.86%	0.30%
<b>Pharmaceuticals</b>						11,941	18,927	6,986	0.70%	0.86%	0.30%
Abbott Laboratories Pakistan Limited	-	68,000	-	-	68,000	45,814	51,272	5,458	1.89%	2.32%	0.07%
The Searl Company Limited	-	129,900	32,510	(161,200)	1,210	456	649	193	0.02%	0.03%	-
<b>Power Generation &amp; Distribution</b>						46,270	51,921	5,651	1.91%	2.35%	0.07%
Hub Power Company Limited	75,500	1,600,000	-	(1,463,500)	212,000	22,390	25,453	3,063	0.94%	1.15%	0.02%
Kot Addu Power Company Limited	-	2,712,000	-	(1,610,500)	1,101,500	98,671	98,309	(362)	3.62%	4.45%	0.13%
K-Electric Company Limited***	-	4,439,500	-	-	4,439,500	32,480	35,782	3,302	1.32%	1.62%	0.02%
Laipir Power Limited (Note 5.2.1.3)	800,000	21,000	-	(69,000)	752,000	26,132	16,318	(9,814)	0.60%	0.74%	0.20%
Pakgen Power Limited (Note 5.2.1.3)	1,775,500	-	-	(200,000)	1,575,500	49,257	37,891	(11,366)	1.39%	1.71%	0.42%
<b>Commercial Banks</b>						228,930	213,753	(15,177)	7.87%	9.67%	0.79%
Allied Bank Limited	-	367,000	-	(367,000)	-	-	-	-	-	-	-
Bank Al-Habib Limited	-	150,000	-	(150,000)	-	-	-	-	-	-	-
Habib Bank Limited	94	630,000	-	(100,094)	530,000	99,951	104,707	4,756	3.85%	4.74%	0.04%
United Bank Limited	-	981,500	-	(287,800)	693,700	119,362	122,729	3,367	4.51%	5.55%	0.06%
<b>Non-Life Insurance</b>						219,313	227,436	8,123	8.36%	10.29%	0.10%
Adamjee Insurance Company Limited	-	295,000	-	(295,000)	-	-	-	-	-	-	-
IGI Insurance Limited	50,000	76,200	-	(94,000)	32,200	7,459	6,144	(1,315)	0.23%	0.28%	0.03%
<b>Total - 30 June 2016</b>						1,426,465	1,452,524	26,059	25.83%	34.64%	
<b>Total - 30 June 2015</b>						716,859	733,205	16,346	27.76%	30.99%	

\* Par value of Rs. 5 each

\*\* Par value of Rs. 1 each

\*\*\* Par value of Rs. 3.5 each

Cost of investment in equity securities is Rs. 1,547,137 million (2015: Rs. 751,861 million).

5.2.1.1

Investments include shares with market value aggregating of Rs. 38,800 million (30 June 2015: Nil) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in term of Circular No. 11 dated 23 October 2007 issued by the Securities and Exchange Commission of Pakistan.

5.2.1.2

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

## 5.2.1.3 Impairment loss against the following investments have been recognised by the Fund as follows:

	As at 30 June 2016			
	Holding (Number of shares)	Cost of investment	Market Value (Rupees in '000)	Impairment loss
Lalpir Power Limited	752,000	26,142	16,318	(9,824)
Pakgen Power Limited	1,575,500	49,257	37,891	(11,366)
Shezan International Limited	4,650	5,882	2,099	(3,783)
	<u>2,332,150</u>	<u>81,281</u>	<u>56,308</u>	<u>(24,973)</u>
				30 June 2016 (Rupees in '000)
				(6,816)
				(18,157)
				(24,973)

The impairment loss is reconciled as follows:

Unrealised loss pertaining to above securities recognised during the previous year (in 'Other Comprehensive Income') now recognised as impairment loss

Impairment loss recognised in the current year

Total impairment loss for the year recognised in the Income Statement

## 5.2.2 Government Securities

	As at 1 July 2015	Purchased during the year	Sold during the year	Matured during the year	(Rupees in '000)			Appreciation / (diminution) as at 30 June 2016	as a percentage of net assets	Market value as a percentage of total investments
					As at 30 June 2016	Carrying value as at 30 June 2016	Market Value as at 30 June 2016			
Pakistan Investment Bonds										
PIB - 3 years	-	850,000	(850,000)	-	-	-	-	-	-	-
PIB - 5 years	400,000	1,245,000	(1,617,000)	-	28,000	29,245	29,547	302	11.27%	15.10%
PIB - 10 years	350,000	200,000	(550,000)	-	-	-	-	-	-	-
<b>Total - 30 June 2016</b>						<b>29,245</b>	<b>29,547</b>	<b>302</b>	<b>11.27%</b>	<b>15.10%</b>
Total - 30 June 2015										
						838,379	819,075	(19,304)	31.03%	19.00%
Total Investment in Government Securities - 30 June 2016										
						<b>29,245</b>	<b>29,547</b>	<b>302</b>	<b>11.27%</b>	<b>15.10%</b>
Total Investment in Government Securities - 30 June 2015										
						838,379	819,075	(19,304)	31.03%	31.03%

**5.2.2.1** These Pakistan Investment Bonds cost Rs. 29,245 million (2015: Rs. 838,274 million). These will mature latest by 21 April 2021 (2015: 26 March 2025) and carry interest at the rate of 7.75% to 11.5% (2015: 9.75% to 12%) per annum.

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

		30 June 2016	30 June 2015
		(Rupees in '000)	
<b>6. DIVIDEND AND PROFITS RECEIVABLE</b>			
Dividend receivable		5,756	3,436
Interest receivable on term finance certificates		3,409	347
Profit receivable on government securities		532	40,705
Profit receivable on saving deposits		892	7,629
		<u>10,589</u>	<u>52,117</u>
<b>7. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Security deposits with			
- National Clearing Company of Pakistan Limited		3,934	3,934
- Central Depository Company of Pakistan Limited		100	100
Prepayments		19	13
Others		349	77
		<u>4,402</u>	<u>4,124</u>
<b>8. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Management fee payable	8.1	4,600	4,300
Sindh sales tax payable on management fee	8.2	644	645
Sales load payable		287	9,691
Payable against allocated expenses	8.3	230	-
Legal and professional charges payable		-	100
		<u>5,761</u>	<u>14,736</u>
<b>8.1</b> The Management Company has charged remuneration at a rate of 2% (2015: 2 %) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.			
<b>8.2</b> During the year, Sindh Sales Tax on management fee at 14% (till 30 June 2015: 15%) has been levied by the Government of Sindh.			
<b>8.3</b> During the year, a statutory notification (S.R.O. No. 1160 (I)/2015 dated 25 November 2015) was issued by Securities and Exchange Commission of Pakistan (SECP), which introduced amendments in Non - Banking Finance Companies and Notified Entities Regulations, 2008. As a result of these amendments, the Management Company may charge fees and expenses related to registrar services, accounting, operations and valuation services, related to Collective Investment Schemes (CIS) upto a maximum of 0.1% of average annual net assets of the Scheme. Accordingly, such expenses have been charged effective from 27 November 2015.			
<b>9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
<b>9.1</b> The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on the daily net asset value of the Fund. The remuneration is paid to the Trustee monthly in arrears.			
As per the Trust Deed and Offering Document, the tariff structure applicable to the Fund in respect of the trustee fee for the year ended 30 June 2016 is as follows:			
<b>Net Assets</b>	<b>Tariff per annum</b>		
Up to Rs. 1 billion	Rs. 0.7 million or 0.20% p.a. of NAV, whichever is higher		
On an amount exceeding Rs. 1 billion	Rs. 2.0 million plus 0.10% p.a. of NAV exceeding Rs. 1 billion		

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

- 9.2** The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated 13 June 2015, has amended the definition of service of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 14% on such services is charged on Trustee fee which is now covered under section 2 (79A) of the Sindh Finance Bill 2010 amended upto 2015.

## **10. PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

## **11. ACCRUED AND OTHER LIABILITIES**

		<b>30 June 2016</b>	<b>30 June 2015</b>
		<b>(Rupees in '000)</b>	
Provision for Federal Excise Duty and related taxes			
on management fee	<i>11.1</i>	<b>19,027</b>	7,573
Provision for Federal Excise Duty on sales load	<i>11.1</i>	<b>16,173</b>	9,807
Provision for Workers' Welfare Fund	<i>11.2</i>	<b>13,732</b>	13,732
Withholding tax payable (deducted on dividend distribution)		<b>2,266</b>	23,527
Withholding tax payable (deducted on capital gains)		<b>250</b>	3,175
Auditors' remuneration payable		<b>509</b>	446
Brokerage payable		<b>4,138</b>	2,584
Others		<b>481</b>	140
		<b><u>56,576</u></b>	<b><u>60,984</u></b>

- 11.1** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from 13 June 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 4 September 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with Collective Investment Schemes through their trustees, challenging the levy of FED. The SHC vide its Order dated 16 July 2016 has disposed of the petition by referring its judgment dated 2 June 2016 whereby it rendered the FED on certain services to be 'ultra vires' in the presence of Sindh Sales Tax Act 2011. 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. Management is however of the view that since the Federal government still has the right to appeal against the Order of the SHC, the previous balance of FED cannot be reversed.

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 13 June 2013 to 30 June 2016 aggregating to Rs. 35.20 million (2015: Rs. 17.38 million).

- 11.2** 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 certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

Subsequent to the year ended 30 June 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 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 Court.

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

Subsequent to the year ended 30 June 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 filed by companies other than mutual funds 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, management company, as a matter of abundant precaution, has decided to charge 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 01 July 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 precaution, has decided to retain the provision for WWF amounting to Rs. 102.91 million in these financial statements pertaining to period 1 July 2011 to 30 June 2015 and have not record any further provision there against. During the year ended 30 June 2016 the Fund charged Rs.Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.4 per unit as at 30 June 2016

## 12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at 30 June 2016.

## 13. AUDITOR'S REMUNERATION

	30 June 2016	30 June 2015
	(Rupees in '000)	
Annual audit fee	396	338
Half yearly review	245	208
Other certifications and services	122	120
Out of pocket expenses	55	64
	818	730

## 14. TAXATION

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

## 15. EARNINGS PER UNIT

Earning per unit has not been disclosed as in the opinion of the management, determination of cumulative weighted average number of outstanding units for calculating loss per unit is not practicable.

## 16. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and constitutive documents of the Fund.

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

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

## 16.1 Details of transactions with the connected persons / related parties during the year are as follows:

	30 June 2016	30 June 2015
	(Rupees in '000)	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration of the Management Company (including indirect taxes)	83,041	37,249
Allocated expenses and related taxes	2,120	-
Dividend paid	774	-
Sindh sales tax registration charges	-	8
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	4,720	2,316
CDC settlement charges	314	247
<b>MCB Bank Limited</b>		
Purchase of securities - Face Value Rs. Nil (2015 : Rs. 100 million)	-	93,330
Dividend received	-	37
Profit on bank deposits	1,102	7,216
Bank charges	49	42
<b>Silk Bank Limited</b>		
Purchase of securities - Face Value Rs. 295 million (2015: Rs. Nil )	303,146	-
<b>Summit Bank Limited</b>		
Purchase of Securities - Face Value 50,000,000 (2015: Rs 50 million)	55,003	56,362
Sell of Securities - Face Value 50,000,000 (2015: Rs. Nil )	-	52,545
<b>D.G Khan Cement Company Limited</b>		
Dividend received	-	175
<b>D. G. Khan Cement Company Limited (Employee's Provident Fund)</b>		
Dividend Paid	26	249
<b>Nishat Mills Limited</b>		
Dividend received	-	388
<b>Adamjee Insurance Limited</b>		
Dividend received	443	-
<b>Fatima Fertilizer Company Limited</b>		
Dividend received	-	345
<b>Pakgen Power Limited</b>		
Dividend received	3,351	1,739
<b>Lalpir Power</b>		
Dividend received	1,552	800
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage *	647	996
<b>Next Capital Private Limited - Brokerage House</b>		
Brokerage *	328	397
<b>Summit Capital Private Limited-Brokerage House</b>		
Brokerage expense *	4	-
<b>Key management personnel</b>		
Dividend paid	91	829

## 16.2 Balance outstanding as at the year end are as follows:

<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable to the Management Company	4,600	4,300
Sales tax payable on remuneration of the Management Company	644	645
Sales load payable	252	8,501
Sales tax payable on sales load	35	1,190
Payable against allocated expenses	230	-
Legal and professional charges payable	-	100
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable to the Trustee	312	297
Sales tax payable on remuneration of the Trustee	44	-
Security deposits	100	100

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

	30 June 2016	30 June 2015
	(Rupees in '000)	
<b>MCB Bank Limited</b>		
Bank deposits	374,401	29,584
Profit receivable	56	409
Bank charges	-	42
<b>Nishat Mills Limited</b>		
822,500 shares held (30 June 2015: Nil shares)	88,748	-
<b>D.G. Khan Cement Limited</b>		
315,000 shares held (30 June 2015: Nil shares)	60,004	-
<b>Sui Northern Gas Pipelines Limited</b>		
208,500 shares held (30 June 2015: Nil shares)	7,566	-
<b>Sui Southern Gas Company Limited</b>		
65,500 shares held (30 June 2015: 163,500 shares)	1,803	6,981
<b>Mughal Iron and Steel Industries Limited</b>		
496,500 shares held (30 June 2015: Nil shares)	33,360	-
<b>Lalpir Power Limited</b>		
752,000 shares held (30 June 2015: 800,000 shares)	16,318	24,400
<b>Pakgen Power Limited</b>		
1,575,500 shares held (30 June 2015: 1,775,500 shares)	37,891	53,283
<b>Arif Habib Limited</b>		
Brokerage payable*	543	53
<b>Next Capital Private Limited</b>		
Brokerage payable*	190	66

\* 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.

## 16.3 Transactions during the year with connected persons / related parties in the units of the Fund:

	2016		2015	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
Security General Insurance Company Limited	4,837,403	377,843	10,678,125	866,779
MCB-Arif Habib Savings and Investments Limited	1,524,321	118,732	1,228,992	105,000
Nishat Mills Limited (Employee's Provident Fund)	626,530	48,000	-	-
D. G. Khan Cement Company Limited (Employee's Provident Fund)	332	26	-	-
Key management personnel	60,589	4,713	59,311	4,350
<b>Bonus units issued to:</b>				
D. G. Khan Cement Company Limited (Employee's Provident Fund)	-	-	3,190	249
Key management personnel	-	-	8,898	693
<b>Units redeemed by:</b>				
Security General Insurance Company Limited	5,367,586	427,843	6,586,061	566,779
MCB-Arif Habib Savings and Investments Limited	549,625	43,000	3,593,405	311,015
Nishat Mills Limited (Employee's Provident Fund)	626,530	50,700	-	-
Adamjee Life Assurance Company Limited	-	-	247,820	21,444,839
Mandate under Discretionary Portfolio services	-	-	569,025	44,919
Key management personnel	49,975	3,884	-	-
	2016	2015	2016	2015
	(Units)		(Rupees in '000)	
<b>Units held by:</b>				
Security General Insurance Company Limited	3,561,881	4,092,064	281,587	316,638
MCB-Arif Habib Savings and Investments Limited	974,696	-	77,055	-
D. G. Khan Cement Company Limited Employee's Provident Fund)	32,775	32,443	2,591	2,510
Key management personnel	117,909	107,295	9,321	8,302

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

## 17. FINANCIAL RISK MANAGEMENT

The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks such as:

- Market risk
- Credit risk and
- Liquidity risk

### 17.1 Market risk

Market risk is the risk that the fair values or future cash flows of the financial instruments will fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

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

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

#### Currency risk

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

#### 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 fixed rate instruments

As at 30 June 2016, the Fund holds Market Treasury Bills which are classified as fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2016, the net income for the year and net assets would be lower by Rs. 0.276 million (2015: Rs. 0.689 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on 30 June 2016, the net income for the year and net assets would be higher by Rs. 0.276 million (2015: Rs. 0.864 million).

As at 30 June 2016, the Fund holds Pakistan Investment Bonds which are classified as at fair value through profit or loss, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association on 30 June 2016, the net income for the year and net assets would be lower by Rs. 1.347 million (2015: Rs. 34.894 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2016, the net income for the year and net assets would be higher by Rs. 0.860 million (2015: Rs. 29.554 million).

##### b) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing Term Finance Certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on 30 June 2016, 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. 0.471 million (2015: Rs. 0.035 million).

The composition of the Fund's investment portfolio and rates announced by Financial Markets Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2016 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

## Other price risk

Other price risk is the risk of changes in the fair value of equity securities as the result of changes in the levels of Pakistan Stock Exchange (PSX) and other respective market indices and the value of individual shares. The equity price risk exposure arises from the Fund's investments in equity securities. This arises from investments held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification within specified limits set by internal risk management guidelines.

The fund is exposed to equity price risk because of investments held by the Fund and classified on the Statement of Assets and Liabilities as financial assets at fair value through profit or loss and available for sale. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the trust deed. The Fund's constitutive document / NBFC Regulations also limit individual equity securities to no more than 10% of net assets, or issued capital of the investee company and sector exposure limit to 25% of net assets.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's own net assets and the issued capital of the investee company is presented in note 5.1.1 & 5.2.1 .

The table below summarises the sensitivity of the Fund's net assets attributable to unit holders to equity price movements as at 30 June. The analysis is based on the assumption that KSE-100 index increased by 5% and decreased by 5%, with all other variables held constant and that the fair value of the Fund's portfolio of equity securities moved according to their historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of index of past three years.

At 30 June, the fair value of equity securities exposed to price risk is disclosed in note 5.1.1 & 5.2.1.

The impact below arises from the reasonable possible change in the fair value of listed equity securities.

	30 June 2016	30 June 2015
	(Rupees in '000)	
Effect on income statement, net assets attributable to unit holders and equity investments due to increase / decrease in the KSE-100 index	<u>82,482</u>	<u>32,457</u>

The sensitivity analysis presented is based upon the portfolio composition as at 30 June 2016 and the historical correlation of the securities comprising the portfolio to the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE and other respective market indices, is expected to change over time. Accordingly, the sensitivity analysis prepared as at 30 June 2016 is not necessarily indicative of the effect on the Fund's net assets attributed to unit holders of future movements in the level of the KSE and other respective market indices.

## 17.2 Credit risk

Credit risk arises from the inability of the issuers of the instruments, the relevant financial institutions or counter parties in case of reverse re-purchase transactions or other arrangements to fulfil their obligations resulting in financial loss to the Fund. These credit exposures exist within financing relationships, derivatives and other transactions. There is also a risk of default by participants and of failure of the financial markets / stock exchanges, the depositories, the settlements or the central clearing system etc.

The credit risk of the Fund mainly arises from its investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, deposits and other receivable balances.

### Credit risk management

It is the Fund's policy to enter into financial contracts with reputable, diverse and creditworthy counterparties and wherever possible or deemed necessary obtain collaterals in accordance with internal risk management policies and investment guidelines designed for credit risk management. The Investment Committee closely monitors the creditworthiness of the Fund's counterparties by reviewing their credit ratings, financial statements and press releases on a regular basis.

### Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk at 30 June was as follows:

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

	30 June 2016		30 June 2015	
	Statement of assets and liabilities (Rupees in '000)	Maximum exposure	Statement of assets and liabilities (Rupees in '000)	Maximum exposure
Balances with banks	635,630	635,630	252,325	252,325
Investments	2,210,362	135,222	2,366,195	10,007
Fair value of derivative asset	4,466	4,466	1,257	1,257
Receivable against sale of investments	3,831	-	-	-
Dividend and profits receivable	10,589	10,057	52,117	11,412
Receivable from National Clearing Company of Pakistan Limited	14,232	14,232	41,067	41,067
Advances, deposits and prepayments	4,402	4,383	4,124	4,124
	<b>2,883,512</b>	<b>803,990</b>	<b>2,717,085</b>	<b>320,192</b>

Difference in the balance as per Statement of Assets and Liabilities and maximum exposure in investment is due to the fact that investment in equity and government securities of Rs. 2,075.140 million (2015: Rs. 2,356.188 million), receivable against sale of investments of Rs. 3.831 (2015: Nil), profit receivable on government securities of Rs. 0.532 million (2015: Rs.40.705 million) and prepayments of Rs. 0.019 million (2015: Rs. 0.013 million) are not exposed to credit risk.

As on 30 June 2016, none of the financial assets were considered to be past due or impaired except for Rs. 24.973 million as disclosed in note 5.2.1.3.

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

	30 June 2016 (Percentage holding)	30 June 2015
AAA	59.83%	11.72%
AA+	-	7.22%
AA	38.87%	81.06%
AA-	1.30%	-
	<b>100.00%</b>	<b>100.00%</b>

The analysis below summarises the credit quality of the Fund's investment in term finance certificates as at 30 June:

	30 June 2016 (Percentage holding)	30 June 2015
AAA	92.45%	-
AA-	7.55%	100.00%
	<b>100.00%</b>	<b>100.00%</b>

## Concentration of credit risk

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

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

Details of the Fund's concentration of credit risk of financial instruments by industrial distribution are as follows:

	30 June 2016		30 June 2015	
	(Rupees in '000)	Percentage	(Rupees in '000)	Percentage
Commercial banks	770,852	95.88%	262,332	72.69%
Others	33,138	4.12%	98,565	27.31%
	<b>803,990</b>	<b>100.00%</b>	<b>360,897</b>	<b>100.00%</b>

## Settlement risk

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

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

## 17.3 Liquidity risk

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

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

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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

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

	30 June 2016			Total
	Up to three months	More than three months and up to one year	More than one year	
	(Rupees in '000)			
<b>Non-derivative financial liability</b>				
Payable to the Management Company	5,761	-	-	5,761
Payable to Central Depository Company of Pakistan Limited - Trustee	356	-	-	356
Payable against redemption of units	41	-	-	
Payable against purchase of investment	99,503	-	-	99,503
Accrued and other liabilities	23,817	-	-	23,817
	<b>129,478</b>	<b>-</b>	<b>-</b>	<b>129,437</b>

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

	30 June 2015			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
<b>Non-derivative financial liability</b>				
Payable to the Management Company	14,736	-	-	14,736
Payable to Central Depository Company of Pakistan Limited - Trustee	297	-	-	297
Payable against redemption of units	41	-	-	41
Accrued and other liabilities	39,679	-	-	39,679
	<u>54,753</u>	<u>-</u>	<u>-</u>	<u>54,753</u>

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

## 17.4 Financial instruments by category

As at 30 June 2016, all the financial assets are carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables', financial assets 'at fair value through profit or loss or financial assets 'at available for sale'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss'.

	As at 30 June 2016			Total
	Loans and receivables	Assets at fair value through profit or loss	Assets classified as available for sale	
	----- (Rupees in '000) -----			
<b>Derivative financial asset</b>				
Fair value of derivative asset	-	4,466	-	4,466
	<u>-</u>	<u>4,466</u>	<u>-</u>	<u>4,466</u>
<b>Non-derivative financial asset</b>				
Balances with banks	635,630	-	-	635,630
Investments	-	728,291	1,482,071	2,210,362
Dividend and profits receivable	10,589	-	-	10,589
Receivable against sale of investments	3,831	-	-	3,831
Receivable from National Clearing Company of Pakistan Limited	14,232	-	-	14,232
Security deposits	4,402	-	-	4,402
	<u>668,684</u>	<u>728,291</u>	<u>1,482,071</u>	<u>2,879,046</u>

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

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Non-derivative financial liability</b>			
Payable to the Management Company	-	5,761	5,761
Payable to Central Depository Company of Pakistan Limited - Trustee	-	356	356
Payable against redemption of units	-	41	41
Payable against purchase of investment	-	99,503	99,503
Accrued and other liabilities	-	23,817	23,817
	-	129,478	129,478

As at 30 June 2015

**Derivative financial asset**

Fair value of derivative asset

Loans and receivables	Assets at fair value through profit or loss	Assets classified as available for sale	Total
	----- (Rupees in '000) -----		
-	1,257	-	1,257
-	1,257	-	1,257

**Non-derivative financial asset**

Balances with banks	252,325	-	-	252,325
Investments	-	813,915	1,552,280	2,366,195
Dividend and profit receivables	52,117	-	-	52,117
Receivable against sale of investments	-	-	-	-
Receivable from National Clearing Company of Pakistan Limited	41,067	-	-	41,067
Security deposits	4,124	-	-	4,124
	349,633	813,915	1,552,280	2,715,828

	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Non-derivative financial liability</b>			
Payable to the Management Company	-	14,736	14,736
Payable to Central Depository Company of Pakistan Limited - Trustee	-	297	297
Payable against redemption of units	-	41	41
Accrued and other liabilities	-	39,679	39,679
	-	54,753	54,753

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

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### 17.5 Unit holders' fund risk management

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million to be maintained all the time during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund's net assets at the redemption date.

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

### 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

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

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

**On-balance sheet financial instruments**

**30 June 2016**

	Fair value through profit and loss	Carrying amount			Fair value		
		Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1 Level 2	Level 3 Total
<b>Financial assets measured at fair value</b>							
Listed equity securities	294,656	1,452,524	-	-	1,747,180	1,747,180	-
Listed debt securities	135,222	-	-	-	135,222	-	135,222
Government Securities	298,413	29,547	-	-	327,960	-	327,960
Derivative asset	4,466	-	-	-	4,466	4,466	-
	<b>732,757</b>	<b>1,482,071</b>	<b>-</b>	<b>-</b>	<b>2,214,828</b>	<b>1,751,646</b>	<b>463,182</b>
							<b>2,214,828</b>
<b>Financial assets not measured at fair value</b>							
Balance with banks	-	-	635,630	-	635,630	-	-
Trade and other receivables	-	-	33,035	-	33,035	-	-
	-	-	668,665	-	668,665	-	-
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	-	-	-	5,761	5,761	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	356	356	-	-
Payable against redemption of units	-	-	-	41	41	-	-
Payable against purchase of investment	-	-	-	99,503	99,503	-	-
Accrued and other liabilities	-	-	-	56,576	56,576	-	-
				162,237	162,237	-	-

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

30 June 2015

	Fair value through profit and loss	Carrying amount			Fair value		
		Available for sale	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2
<b>Financial assets measured at fair value</b>							
Listed equity securities	281,708	733,205	-	-	1,014,913	1,014,913	-
Listed debt securities	10,007	-	-	-	10,007	-	10,007
Government Securities	522,200	819,075	-	-	1,341,275	-	1,341,275
Derivative asset	1,257	-	-	-	1,257	-	-
	815,172	1,552,280	-	-	2,367,452	1,014,913	1,351,282

## Financial assets not measured at fair value

18.1

Balance with banks	-	-	252,325	-	252,325	-	-	-
Trade and other receivables	-	-	97,295	-	97,295	-	-	-
	-	-	349,620	-	349,620	-	-	-

## Financial liabilities not measured at fair value

18.1

Payable to the Management Company	-	-	-	14,736	14,736	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-	297	297	-	-	-
Payable against redemption of units	-	-	-	41	41	-	-	-
Accrued and other liabilities	-	-	-	60,984	60,984	-	-	-
	-	-	-	76,058	76,058	-	-	-

**18.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

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

## 19. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

### 19.1 Pattern of unit holding

	As at 30 June 2016		
	Number of unit	Investment Amount	Percentage Investment
(Rupees in '000)			
<b>Details of pattern of unit holding as at 30 June 2016</b>			
Individuals	1,430	1,763,291	64.87%
Insurance companies	2	296,911	10.92%
Retirement funds	20	241,017	8.87%
Trustee	13	184,996	6.81%
Associated companies	4	122,016	4.49%
Others	12	77,221	2.83%
Companies	4	32,843	1.21%
	<b>1,485</b>	<b>2,718,295</b>	<b>100.00%</b>

	As at 30 June 2015		
	Number of unit	Investment Amount	Percentage Investment
(Rupees in '000)			
<b>Details of pattern of unit holding as at 30 June 2015</b>			
Individuals	1,115	1,868,345	70.78%
Companies	9	48,458	1.84%
Insurance companies	2	396,543	15.02%
Retirement funds	21	147,580	5.59%
Others	15	178,775	6.77%
	<b>1,162</b>	<b>2,639,701</b>	<b>100.00%</b>

### 19.2 Top ten brokers / dealers by percentage of commission paid

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

	30 June 2016 Percentage
1 Top Line Securities	8.89%
2 Adam Securities Private Limited	8.11%
3 Arif Habib Limited	7.43%
4 Invest and Finance Securities	6.43%
5 BMA Capital Management Limited	5.52%
6 Foundation Securities Private Limited	5.20%
7 Taurus Securities Limited	5.00%
8 JS Global Capital Limited	4.69%
9 Next Capital Limited	3.94%
10 NAEL Capital Private Limited	3.80%

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

	30 June 2015 Percentage
1 Invest and Finance Securities Limited	14.27%
2 Arif Habib Limited	10.02%
3 Foundation Securities Limited	8.72%
4 JS Global Capital Limited	7.16%
5 Foundation Securities Private Limited	5.56%
6 Optimas Capital Management Private Limited	4.97%
7 BMA Capital Management Limited	4.68%
8 Next Capital Limited	4.37%
9 Adam Securities Private Limited	4.19%
10 Top Line Securities Private Limited	3.92%

## 19.3 Attendance at meetings of the Board of Directors

During the year, 118th, 119th, 120th, 121st, 122nd, 123rd, 124th and 125th Board meetings were held on 07 August 2015, 16 October 2015, 04 January 2016, 4 February 2016, 18 April 2016, 27 May 2016, 21 June 2016 and 27 June 2016 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings				Meeting not attended
	Held	Attendance required	Attended	Leave granted	
Mr. Mian Mohammad Mansha	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th and 125th
Mr. Nasim Beg	8	8	7	1	119th
Mr. Yasir Qadri (Chief Executive Officer)*	8	3	3	-	-
Dr. Syed Salman Ali Shah	8	8	8	-	-
Mr. Haroun Rashid	8	8	8	-	-
Mr. Ahmed Jahangir	8	8	7	1	122nd
Mr. Samad A. Habib	8	8	6	2	119th and 125th
Mr. Mirza Mehmood Ahmed	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th and 125th
Mr. M. Saqib Saleem (Chief Executive Officer)**	8	5	5	-	-

\* Mr. Yasir Qadri (Chief Executive Officer) resigned on 4 January 2016

\*\* Mr. Muhammad Saqib Saleem appointed as a acting Chief Executive Officer on 4 January 2016 and confirmed by the board on 18 April 2016

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

## 19.4 Particulars of investment committee and fund manager

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

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	18 Years
Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	5 Years
Mr. Muhammad Asim	Asset class specialist - Equities	MBA & CFA	13 Years
Mr. Saad Ahmed	Asset class specialist - Fixed Income	MBA	10 Years
Mr. Muhammad Aitazaz Farooqi	Research Analyst	BBA & CFA level II	2.5 Years

## 19.5 Other funds managed by the fund manager


### *Mr. Muhammad Asim*

Mr. Muhammad Asim is the Manager of the Fund as at year end. He has obtained a Masters degree in Business Administration and is a Certified Financial Analyst. Other fund being managed by him are as follows:

- Pakistan Capital Market Fund
- Pakistan Sarmaya Mehfooz Fund
- Pakistan Frequent Payout Fund
- Pakistan Pension Fund
- Pakistan Stock Market Fund

## 20. DATE OF AUTHORISATION FOR ISSUE

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

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

  
**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		
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	-	-
Public sector companies and corporations	4	415,435
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	20	3,048,690
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	1,461	30,920,351
	<u>1,485</u>	<u>34,384,476</u>

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

<b>No. of Unit Holder</b>	<b>Unit holdings</b>	<b>Total Units Held</b>
1087	0 - 10000	1,688,338
306	10001 - 100000	9,647,932
90	100001 - 1000000	18,188,904
2	1000001 onwards	4,859,302
<b><u>1,485</u></b>		<b><u>34,384,476</u></b>

## PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	2,718	2,640	779	433
Net Assets value per unit – Rupees	79.06	77.38	71.87	84.28
Closing Offer Price	82.32	80.60	74.89	87.82
Closing Repurchase Price	79.06	77.38	71.87	84.28
Highest offer price per unit	84.55	90.26	83.05	88.46
Lowest offer price per unit	79.12	74.66	74.49	73.10
Highest Redemption price per unit	81.19	86.65	79.70	84.89
Lowest Redemption price per unit	75.98	71.67	71.49	70.91
Distribution per unit – Rs. *	0.80	8.50	8.00	12.91
Average Annual Return - %				
One year	3.21	19.41	11.95	19.20
Two year (inception date Mar 11, 2008)	11.31	15.68	15.57	13.95
Three year	11.52	16.85	13.28	16.25
Net Income / (loss) for the period – Rs. in million	24.88	394.75	83.82	69.78
Distribution made during the year – Rs. in million	21.61	215.63	78.22	66.30
Accumulated Capital Growth – Rs. in million	3.27	179.12	5.60	3.48

### \* Date of Distribution

2016	
Date	Rate

June 27, 2016                      0.80

2014	
Date	Rate

June 27, 2014                      8.00

2015	
Date	Rate

June 22, 2015                      8.50

2013	
Date	Rate

July 04, 2013                      12.91

### Disclaimer

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

## PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2016

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The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website ([www.mcbah.com](http://www.mcbah.com)). During the financial year, the Management Company on behalf of the fund did not participate in 28 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Reason for Abstaining</b>
Number	32	32	0	0	-
(%ages)	100	100	0	0	-








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










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