



**Sabr Ka Phal Meetha**

**MCB**

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**PAKISTAN STOCK MARKET  
FUND**

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

Rated: 'AM2++' by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

<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 United Bank Limited Bank AL-Falah Limited Deutsche Bank Habib Metropolitan Bank Limited NIB Bank Limited Standard Chartered Bank Limited Summit Bank Limited Bank Al-Habib Limited	
<b>Auditors</b>	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-75350.	
<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 Stock Market Fund's** accounts review for the year ended June 30th, 2016.

## 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.

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

During the period, PSM posted a return of 5.25% compared to 9.84% witnessed by the KSE100 Index. Overall equity exposure remained above 90% during the year. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments.

The Net Asset of the Fund as at June 30, 2016 stood at Rs. 8,018 million as compared to Rs. 6,075 million as at June 30 2015 registering an increase of 32%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 87.09 as compared to opening NAV of Rs. 83.23 per unit as at June 30, 2015 registering an increase of Rs. 3.86 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.

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

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

### **Corporate Governance**

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

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

- a. Financial statements present fairly the state of affairs, the results of operations, cash flows and changes in unit holders' fund.
- b. Proper books of accounts of the fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. During the year Chief Executive Officer has attended the Directors' Training Program organized by the Institute of Chartered Accounts in Pakistan. (All other the directors have completed the course or they are exempted from attending training course due to sufficient working experience.)
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in note 23 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2016:

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

## 1. Meeting of the Audit Committee.

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

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

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

## 2. Meeting of the Human Resource and Remuneration Committee.

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

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

\* Resigned from the post of CEO after 2<sup>nd</sup> meeting.

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

- n. The trades in the Units of the 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.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	17,307	17,307	-
2	Asif Mehdi	Chief Financial Officer	51,388	47,730	59
3	Abdul Basit	Company Secretary	510	3,155	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-



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

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### External Auditors

The fund's external auditors, Deloitte Yousuf Adil, Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under offering document of the fund, 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,



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**Muhammad Saqib Saleem**

Chief Executive Officer

August 05, 2016



# ڈائریکٹرز رپورٹ

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

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

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

نمبر شمار	نام	عہدہ	سرمایہ کاری	Redemption	ڈیویڈنڈ کی تقسیم
					یونٹس کی تعداد
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	17,307	17,307	-
2.	محمد آصف مہدی رضوی	چیف فنانشل آفیسر	51,388	47,730	59
3.	عبدالباسط	کمپنی سیکرٹری	510	3,155	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

## خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس موجودہ سال کے آڈٹ کے اختتام کے بعد ریٹائر ہو گئے ہیں۔ چونکہ فنڈ کے آفرنگ دستاویز میں جس زیادہ سے زیادہ مدت کی اجازت دی گئی ہے وہ مکمل ہو چکی ہے، اس لئے ان کی دوبارہ تقرری نہیں کی جاسکتی۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی تقرری کی سفارش کی ہے۔

## اظہار تشکر

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

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

05 اگست 2016ء

# ڈائریکٹر رپورٹ

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

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

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

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

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

# ڈائریکٹرز رپورٹ

## کارپوریٹ گورننس

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

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

a. مالیاتی گوشوارے یونٹ ہولڈرز کے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور 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 (اسٹبلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Bینکنگ فنانس اینڈ نیٹوٹیفائیڈ 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. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

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، ڈیویڈنڈ، 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 انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منعقدہ ڈائریکٹرز ٹریڈی 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۔)

# ڈائریکٹر رپورٹ

غیر یقینی صورتحال۔ عالمی سطح پر اشیاء کی کمزور صورتحال کے باعث درآمداتی بل کمزور رہے گا لیکن اس کے نتیجے میں برآمدات کی وصولی بھی تاخیر کا شکار ہو سکتی ہے۔

سال مذکورہ کا اوسط کمزیومر پرائس انڈیکس متوقع طور پر 5% سے کم رہے گا۔ جبکہ تیل قیمتوں اور زرمبادلہ کی شرح میں استحکام کی بدولت افراط زر پہلی ششماہی میں تقریباً 4% کی سطح پر قابو میں رہے گی، چنانچہ ایک مستحکم مانیٹری پالیسی کے ماحول کے لئے فریم ورک موافق ہے 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 لچک 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 KSE-100 انڈیکس میں تیزی آ سکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

# ڈائریکٹر رپورٹ

اُبھرتی ہوئی مارکیٹس کے انڈیکس میں پاکستان کی دوبارہ درجہ بندی اس سال کی شہ سُرخ تھی، کیونکہ اس پیش رفت کی توقعات یا آخر 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۔

## فنڈ کی کارکردگی

دورانِ مدت PSM نے 5.25%، جبکہ اس کے مقابلے میں KSE100 انڈیکس نے 9.84% منافع کمایا۔ ایکویٹی میں مجموعی شمولیت دورانِ سال 90% سے زائد کی سطح پر قائم رہی۔ فنڈ خارجی عناصر سے چوکنار ہا اور بنیادی ترقیاتی اقدامات کو مد نظر رکھتے ہوئے سرمایہ کاری کے لائحہ عمل میں تدبیر کاری کی گئی۔

30 جون 2016ء کو فنڈ کے net اثاثے 8,018 ملین روپے تھے جبکہ 30 جون 2015ء کو 6,075 ملین روپے تھے، یعنی 32% اضافہ ہوا۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 87.09 روپے تھی جبکہ 30 جون 2015ء کو ابتدائی NAV فی یونٹ 83.23 روپے تھی، یعنی 3.86 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 قابلِ 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

بورڈ آف ڈائریکٹرز کی طرف سے ’ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ‘ کے 30 جون 2016ء کو ختم ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## ایکویٹیز مارکیٹ کا مجموعی جائزہ

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 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۔

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

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## Fund Type and Category

MCB Pakistan Stock Market Fund (PSMF) is an Open-End Equity Scheme.

## Fund Benchmark

The benchmark for PSMF is KSE 100 Index.

## Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

## Investment Strategy

Pakistan Stock Market Fund (PSM) is an open end equity fund that invests in quality stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

## Manager's Review

KSE-100 witnessed 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.

During the period, PSM posted a return of 5.25% compared to 9.84% witnessed by the KSE100 Index. Overall equity exposure remained above 90% during the year. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments.

The Net Asset of the Fund as at June 30, 2016 stood at Rs. 8,018 million as compared to Rs. 6,075 million as at June 30 2015 registering an increase of 32%.

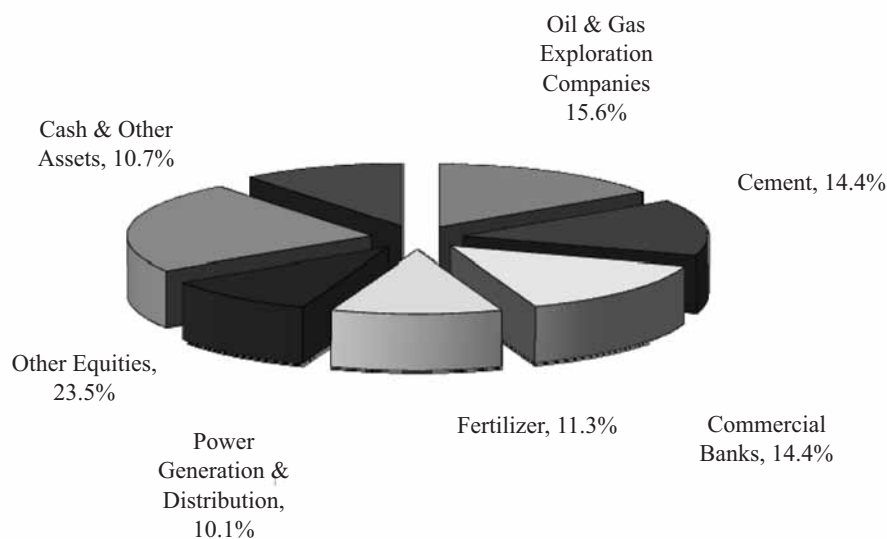
The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 87.09 as compared to opening NAV of Rs. 83.23 per unit as at June 30, 2015 registering an increase of Rs. 3.86 per unit.



## 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)



**Muhammad Asim, CFA**  
**Fund Manager**

**Karachi: August 05, 2016**

# TRUSTEE REPORT TO THE UNIT HOLDER 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 Shahra-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 STOCK MARKET 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 Stock Market 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 Stock Market 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 Stock Market 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 NBFI or, being a Broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year, a casual vacancy occurring on January 04, 2016 consequent to the resignation of the former Chief Executive Officer of the Company was filled up by the directors the same day through the appointment of Mr. Muhammad Saqib Saleem.
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. The Board has also approved the appointment, remuneration and terms and conditions of appointment of the Chief Executive Officer.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, the Chief Executive Officer of the Management Company and an independent director attended directors' training programs conducted by the Institute of Chartered Accountants of Pakistan (ICAP). All the remaining directors on the Board already possess the required training or qualification and experience as required by the Code.
10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit including their remuneration and terms and conditions of employment.
11. The Directors' Report of the Management Company for the year ended June 30, 2016 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
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.

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

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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

## Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
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### REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

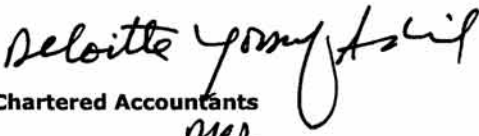
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company (the Company) of **MCB Pakistan Stock Market Fund (the Fund)** for the year ended June 30, 2016 to comply with the requirements of clause no. 5.19 of the Listing Regulations of Pakistan Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of Directors of the Company. 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 Company'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 Company's personnel and review of various documents prepared by the 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 Company's corporate governance procedures and risks.

The Code requires the 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 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 Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

  
Chartered Accountants  
Date: 05 AUG 2016  
Karachi

Member of  
Deloitte Touche Tohmatsu Limited



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

# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
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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 Stock Market Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2016, and the related income statement, statement of comprehensive income, distribution statement, statement of movements in unit holder's fund, cash flow statement for the year then ended and a summary of significant accounting policies together and other explanatory notes.

### Management Company's responsibility for the financial statements

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

### Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 financial position as at June 30, 2016 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

  
Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

Date: August 05, 2016  
Karachi.

Member of  
Deloitte Touche Tohmatsu Limited

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
Balances with banks	5	711,745	390,276
Investments	6	7,476,465	5,949,763
Receivable against sale of investments		159,109	60,429
Dividend and profit receivable	7	23,678	11,089
Advances and security deposits	8	7,152	7,677
<b>Total assets</b>		<b>8,378,149</b>	<b>6,419,234</b>
<b>LIABILITIES</b>			
Payable to the Management Company		17,015	15,224
Payable to the Central Depository Company of Pakistan Limited - Trustee		824	591
Payable to the Securities and Exchange Commission of Pakistan		6,712	4,481
Payable against purchase of investments		137,105	140,053
Accrued expenses and other liabilities	9	198,221	183,040
Payable against redemption of units		386	839
<b>Total liabilities</b>		<b>360,263</b>	<b>344,228</b>
<b>NET ASSETS</b>		<b>8,017,886</b>	<b>6,075,006</b>
<b>Unitholders' fund (as per statement attached)</b>		<b>8,017,886</b>	<b>6,075,006</b>
<b>Contingencies and commitments</b>	10		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>92,063,013</b>	<b>72,988,975</b>
		Rupees	
<b>NET ASSETS VALUE PER UNIT</b>	4.12	<b>87.09</b>	<b>83.23</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
 Chief Executive Officer

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

  
 Director



# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>INCOME</b>			
Capital gain on sale of investments - net		160,213	1,077,455
Dividend income		318,025	253,323
Income from government securities		13,353	13,299
Profit on bank deposits		19,902	16,141
Other Income		672	-
Unrealised appreciation in value of investments at fair value through profit or loss - net	6.4	13,036	210,257
Reclassification adjustment relating to impairment of investments classified as available for sale	6.7	(33,033)	-
Impairment loss for the year on available for sale investments	6.7	(145,349)	-
<b>Total income</b>		<b>346,819</b>	<b>1,570,475</b>
<b>EXPENSES</b>			
Remuneration of Management Company	11	141,307	94,335
Sales tax and Federal Excise Duty on remuneration of Management Company	9.2	45,561	31,508
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	8,066	5,697
Sindh sales tax on Remuneration of the Trustee	13	1,129	-
Securities and Exchange Commission of Pakistan - annual fee	14	6,712	4,481
Allocated expenses including indirect expense	15	4,905	-
Securities' transaction cost		20,170	33,449
Fees and subscriptions		236	125
Auditors' remuneration	16	999	1,062
<b>Total expenses</b>		<b>229,085</b>	<b>170,657</b>
<b>Net income from operating activities</b>		<b>117,734</b>	<b>1,399,818</b>
Element of income and capital gains included in prices of units issued less those in units redeemed - net			
arising from capital gain and unrealised gain		47,321	221,712
arising from other gain / (loss)		6,368	(18,747)
Provision for Workers' Welfare Fund	9.1	-	(32,056)
<b>Net income for the year before taxation</b>		<b>171,423</b>	<b>1,570,727</b>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>171,423</b>	<b>1,570,727</b>
<b>Earnings per unit</b>	4.11	-	-

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
 Chief Executive Officer

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


  
 Director


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

	Note	2016 (Rupees in '000)	2015
<b>Net income for the year after taxation</b>		171,423	1,570,727
<b>Other comprehensive income for the year</b>			
<i>Items that may be reclassified to profit and loss account</i>			
Unrealised appreciation / (diminution) in value of investments classified as available for sale - net	6.5	198,300	192,675
Reclassification adjustment relating to impairment of investments classified as available for sale		33,033	-
<b>Total comprehensive income for the year</b>		402,756	1,763,402

The annexed notes from 1 to 28 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 JUNE 30, 2016

	2016 (Rupees in '000)	2015
Undistributed income brought forward		
- Realised gains	2,016,876	548,569
- Unrealised gains	<u>216,074</u>	<u>200,149</u>
	<u>2,232,950</u>	<u>748,718</u>
Net element of income and capital gains included in the prices of units issued less those in units redeemed - amount representing unrealised income	630,091	186,546
Net income for the year after taxation	<u>171,423</u> <u>801,514</u>	<u>1,570,727</u> <u>1,757,273</u>
<b>Distributions</b>		
Interim cash distribution for the year ended June 30, 2015 at Rs. 4.00 per unit (date of distribution: June 22, 2015)	-	(273,041)
Interim cash distribution for the year ended June 30, 2016 at Rs. 0.50 per unit (date of distribution: June 27, 2016)	<u>(43,669)</u>	-
	(43,669)	(273,041)
Undistributed income carried forward	<u>2,990,795</u>	<u>2,232,950</u>
<b>Represented by:</b>		
- Realised gains	3,026,013	2,016,876
- Unrealised (loss) / gains	<u>(35,218)</u>	<u>216,074</u>
	<u>2,990,795</u>	<u>2,232,950</u>

The annexed notes from 1 to 28 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 UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in '000)	2015
Net assets at beginning of the year	6,075,006	3,729,868
Issue of 82,188,741 units (2015: 53,281,667 units) <i>(including 429,635 units (2015: 2,951,157 units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 36.76 million (2015: 248.89 million) - net of tax)</i>	6,743,880	4,103,474
Redemption of 63,114,704 units (2015: 39,917,113 units)	(5,106,398)	(3,045,732)
	1,637,482	1,057,742
	7,712,488	4,787,610
Element of income and capital gains included in prices of units issued less those in units redeemed :		
- amount representing income and capital gains transferred to the Income Statement - net arising from capital gain and unrealised gain	(47,321)	(221,712)
arising from other gain / (loss)	(6,368)	18,747
- amount representing income and capital gains that forms part of the unitholders' fund transferred to the Distribution Statement - net	(630,091)	(186,546)
	(683,780)	(389,511)
Net income for the year transferred from the Distribution Statement		
Capital gain on sale of investments - net	160,213	1,077,455
Unrealised appreciation in value of investments		
'at fair value through profit or loss' - net	13,036	210,257
Other income for the year	(1,826)	283,015
Net element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised income	630,091	186,546
	801,514	1,757,273
Distributions made during the year (Refer Distribution Statement)	(43,669)	(273,041)
Unrealised appreciation / in value of investments classified as available for sale	231,333	192,675
Net assets at end of the year	8,017,886	6,075,006
	Number of units	
NUMBER OF UNITS IN ISSUE	92,063,013	72,988,975
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	87.09	83.23

The annexed notes from 1 to 28 form an integral part of these financial statements.

  
Chief Executive Officer

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

  
Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net income for the year		171,423	1,570,727
<b>Adjustments for</b>			
Unrealised appreciation in value of investments at fair value through profit or loss - net		(13,036)	(210,257)
Element of income and capital gains included in prices of units issued less those in units redeemed - net			
Arising from capital gain and unrealised gain		(47,321)	(221,712)
Arising from other gain / (loss)		(6,368)	18,747
Provision for Workers' Welfare Fund		-	32,056
Preference shares received as dividend income		-	(27,788)
Reclassification adjustment relating to impairment of investments classified as available for sale		33,033	-
Impairment loss for the year on available for sale investments		145,349	-
		283,080	1,161,773
<b>(Increase) / decrease in assets</b>			
Investments - net		(1,463,663)	(2,074,537)
Receivable against sale of investments		(98,680)	39,689
Dividend and profit receivable		(12,589)	(2,035)
Advances and security deposits		525	42,975
		(1,574,407)	(1,993,908)
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		1,791	7,847
Payable to the Central Depository Company of Pakistan Limited - Trustee		233	192
Payable to the Securities and Exchange Commission of Pakistan - annual fee		2,231	1,628
Accrued expenses and other liabilities		15,181	42,412
Payable against redemption of units		(453)	453
		18,983	52,532
<b>Net cash used in operating activities</b>	<b>A</b>	<b>(1,272,344)</b>	<b>(779,603)</b>
<b>B. CASH FLOW FROM FINANCING ACTIVITIES</b>			
Dividend paid		(43,669)	(273,041)
Cash received from units sold		6,743,880	4,103,474
Cash paid on units redeemed		(5,106,398)	(3,045,732)
<b>Net cash generated from financing activities</b>	<b>B</b>	<b>1,593,813</b>	<b>784,701</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>(A+B)</b>	<b>321,469</b>	<b>5,098</b>
Cash and cash equivalents at beginning of the year		390,276	385,178
<b>Cash and cash equivalents at end of the year</b>		<b>711,745</b>	<b>390,276</b>

The annexed notes from 1 to 28 form an integral part of these financial statements.

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

  
Chief Executive Officer

  
Director

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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed dated executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3 The Fund has been categorised as equity scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange, formerly Karachi Stock Exchange.
- 1.4 The Fund primarily invests in listed equity securities. It also invest in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.5 The Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2++ dated June 08, 2016 to the Management Company and 4-Star long term & 5-Star short term as performance rating dated August 13, 2015 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the 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, and the said directives differ with the requirements of the IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives shall prevail.

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016

The following standards are effective for the year ended June 30, 2016. These standards are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures:

#### Standards / amendments / interpretations

IAS 27 (Revised 2011) – Separate Financial Statements  
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures  
IFRS 10 – Consolidated Financial Statements  
IFRS 11 – Joint Arrangements  
IFRS 12 – Disclosure of Interests in Other Entities

In addition to above standards, IFRS 13 - Fair Value Measurement also became effective in the current year. IFRS 13 establishes a single framework for measuring fair value and making disclosures about fair value measurements when such measurements are required or permitted by other IFRSs. It unifies the definition of fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It replaces and expands the disclosure requirements about fair value measurements in other IFRSs, including IFRS 7 Financial Instruments: Disclosures.

### 2.3 New accounting standards / amendments and IFRS interpretations that are not yet effective

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

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

## *Standards / amendments / interpretations*

## *Effective for annual periods beginning on or after*

Amendments to IAS 16 and IAS 38 Clarification of acceptable methods of depreciation and amortization

January 01, 2016

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

January 01, 2016

Other than the aforesaid amendments, the IASB has also issued the following standards which have not been adopted locally by the SECP:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 9 – Financial Instruments
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 15 – Revenue from Contracts with Customers

### **3. BASIS OF PREPARATION**

#### **3.1 Accounting convention**

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

#### **3.2 Critical accounting estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances.

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised by the management in application of accounting policies principally relate to classification, valuation and impairment of investments (refer note 4.1).

#### **3.3 Functional and presentation currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pak Rupees which is the Fund's functional and presentation currency.

### **4. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

#### **4.1 Financial Assets**

The Fund classifies its financial instruments in the following categories:

##### **a) *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.

Financial instruments at fair value through profit or loss are measured at fair value and changes therein are recognised in the Income Statement.



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

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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) *Available-for-sale***

Available for sale are non-derivative financial assets that are either designated in this category or not classified in any other category.

**c) *Loans and receivables***

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those classified by the Fund as at fair value through profit or loss or available for sale.

### **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.

### **Measurement**

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not designated 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.

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 Other Comprehensive Income (OCI) until derecognised or impaired, when the accumulated adjustments recognised in OCI 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.

### **Fair value measurement principles**

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 3 of 2010, Circular 33 of 2012 and Circular 35 of 2012. These circulars also specify the 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 as amended by Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by Board of Directors of the Management Company.

### **Basis of valuation of Government Securities**

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

Net gains and losses arising on changes in the fair value of financial assets carried 'at fair value through profit or loss' are taken to the income statement. Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to the other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised directly in the other comprehensive income is transferred to the Income Statement.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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### 4.2 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of marketable and government securities, 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. Amounts paid under these agreements are recognised as 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 life of the agreement. All reverse repo transactions are accounted for on the settlement date.

### 4.3 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 amortised 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 equity security classified as available for sale, a significant or prolong decline in fair value below its cost is objective considered as evidence of impairment. If any such impairment exists for available for sale financial assets, cumulative gains or losses previously recognised in other comprehensive income are reclassified to Income Statement in the period.

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.

### 4.4 Derecognition

The Fund derecognises a financial asset when the contractual right to the cash flows from the financial assets expires or it transfers the right to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial assets are transferred.

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

### 4.5 Offsetting of financial instruments

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

### 4.6 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognised at fair value and subsequently stated at amortised cost. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired. Financial liabilities include payable to the Management Company and other liabilities. Financial liabilities other than those at fair value through profit and loss are measured at amortised cost using effective interest rate method.

### 4.7 Accrued expenses and other liabilities

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

### 4.8 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.

### 4.9 Other assets

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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### 4.10 Taxation

#### *Current*

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. 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.

#### *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 asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund, like in current year, intends to continue availing the tax exemption in future years as well 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 every year.

### 4.11 Earnings per unit

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

### 4.12 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.

### 4.13 Unitholders' fund

Unitholders' 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.

### 4.14 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for applications received by distributors during business hours on that day. 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.

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

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

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

The element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in the Income Statement and the remaining portion of element of income / (loss) and capital gains / (losses) is held in separate reserve account and at the end of an accounting period (whether gain or loss) is included in amount available for distribution to the unit holders.

### 4.16 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Markup on government securities is recognised on an accrual basis.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

- Unrealised gains / (losses) arising on valuation of investments classified as at fair value through profit or loss and derivatives are included in the Income Statement in the period in which they arise.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed realised during the year is included in the Income Statement on the date of issue and redemption of units.

### 4.17 Expenses

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

### 4.18 Dividend distributions and appropriations

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

### 4.19 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.

	Note	2016 (Rupees in '000)	2015
<b>5. BALANCES WITH BANKS</b>			
In current accounts		18,495	18,363
In deposit accounts	5.1	693,250	371,913
		<u>711,745</u>	<u>390,276</u>

5.1 These accounts carry profit at the rate ranging from 3.75% to 6.95% (2015: 5.5% to 7.5%) per annum.

### 6. INVESTMENTS

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

Listed equity securities	6.1	230,191	792,898
Government securities	6.2	-	-
		<u>230,191</u>	<u>792,898</u>

#### Available for sale

Listed equity securities	6.3	7,246,274	5,129,077
Preference shares - unlisted	6.6	-	27,788
		<u>7,246,274</u>	<u>5,156,865</u>
		<u>7,476,465</u>	<u>5,949,763</u>

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

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

Name of the investee company	As at July 01, 2015	Number of shares			Balance as at June 30, 2016				Investment as a percentage of paid-up capital of investee company
		Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2016	Carrying value	Market value	Appreciation/ (diminution)	
						Rupees in '000'			%
									%
<b>Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise</b>									
<b>Automobile Assembler</b>									
Millat Tractor Limited	17,097	-	-	17,097	-	-	-	-	0.00
Pak Suzuki Motor Company Limited	309,500	-	-	309,500	-	-	-	-	0.00
<b>Cable and Electrical Goods</b>									
Pak Elektronik Limited	976,000	-	-	976,000	-	-	-	-	0.00
<b>Commercial Banks</b>									
Habib Metropolitan Bank Limited	3,050,000	-	-	3,050,000	-	-	-	-	0.00
Soneri Bank Limited	460,500	-	-	460,500	-	-	-	-	0.00
<b>Construction and Material (Cement)</b>									
Maple Leaf Cement Factory Limited	3,322,500	-	-	3,322,500	-	-	-	-	0.00
<b>Engineering</b>									
Crescent Steel and Allied Product Limited	1,498,500	2,500	-	1,501,000	-	-	-	-	0.00
International Industries Limited	571,500	-	-	571,500	-	-	-	-	0.00
<b>Power Generation and Distribution</b>									
Hub Power Company Limited	424	-	-	424	-	-	-	-	0.00
<b>Fertilizer</b>									
Engro Corporation Limited	51,700	50,000	-	50,000	51,700	15,833	17,215	1,382	0.23
Fauji Fertilizer Bin Qasim Limited	-	600,500	-	600,500	-	15,833	17,215	1,382	0.21
<b>Automobile Parts &amp; Accessories</b>									
Thall Limited (Par value of Rs. 5)	104,100	-	-	10,500	93,600	26,717	26,490	(227)	0.33
<b>Leather &amp; Tanneries</b>									
Bata Pakistan Limited	2,340	-	-	2,340	-	-	-	-	0.00
<b>Life Insurance</b>									
IGI Insurance Limited	178,067	-	-	91,400	86,667	17,757	16,538	(1,219)	0.21
<b>Non-Life Insurance</b>									
Pakistan Re-insurance Company Limited	125	-	-	125	-	-	-	-	0.00
<b>Oil and Gas Companies</b>									
Attock Petroleum Limited	552	-	-	552	-	-	-	-	0.00
<b>Oil and Gas Exploration Companies</b>									
Pakistan Petroleum Limited	32	-	-	-	32	5	5	-	0.00
<b>Personal Goods (Textile)</b>									
* Nisbat Mills Limited	-	1,775,000	-	200,000	1,575,000	156,843	169,943	13,100	2.12
<b>Paper and Board</b>									
Cherat Packaging Limited	2,000	-	150	2,150	-	-	-	-	0.00
<b>As at June 30, 2016</b>						<b>217,155</b>	<b>230,191</b>	<b>13,036</b>	<b>2.87</b>
<b>As at June 30, 2015</b>						<b>582,641</b>	<b>792,898</b>	<b>210,257</b>	<b>13.05</b>

\* These represent transactions with related parties

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

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

Issue date	Tenor	Face value				Balance as at June 30, 2016				Market value as percentage of net assets	Market value as percentage of total investments
		As at July 01, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016	Cost	Market value	Appreciation / (diminution)			
		Rupees in '000'							%		
Treasury Bills											
January 8, 2015	12 months	-	135,869,065	135,869,065	-	-	-	-	-	-	
January 22, 2015	12 months	-	673,864,650	673,864,650	-	-	-	-	-	-	
January 22, 2015	12 months	-	673,978,050	673,978,050	-	-	-	-	-	-	
June 25, 2015	3 months	-	498,102,000	498,102,000	-	-	-	-	-	-	
August 20, 2015	6 months	-	249,033,250	249,033,250	-	-	-	-	-	-	
September 17, 2015	3 months	-	199,085,400	199,085,400	-	-	-	-	-	-	
September 17, 2015	3 months	-	199,224,200	199,224,200	-	-	-	-	-	-	
October 15, 2015	6 months	-	199,089,800	199,089,800	-	-	-	-	-	-	
October 29, 2015	6 months	-	149,419,950	149,419,950	-	-	-	-	-	-	
December 10, 2015	3 months	-	198,587,800	198,587,800	-	-	-	-	-	-	
December 10, 2015	3 months	-	198,587,800	198,587,800	-	-	-	-	-	-	
December 10, 2015	3 months	-	149,239,500	149,239,500	-	-	-	-	-	-	
January 7, 2016	3 months	-	99,056,200	99,056,200	-	-	-	-	-	-	
January 7, 2016	3 months	-	198,849,800	198,849,800	-	-	-	-	-	-	
January 21, 2016	3 months	-	246,500,000	246,500,000	-	-	-	-	-	-	
January 21, 2016	3 months	-	199,663,000	199,663,000	-	-	-	-	-	-	
April 14, 2016	3 months	-	197,200,000	197,200,000	-	-	-	-	-	-	
May 12, 2016	3 months	-	246,500,000	246,500,000	-	-	-	-	-	-	
As at June 30, 2016		-	-	-	-	-	-	-	-	-	
As at June 30, 2015		-	-	-	-	-	-	-	-	-	

### 6.3 Listed equity securities - Available for sale

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

Name of the investee company	Number of shares				Balance as at June 30, 2016				Rupees in 000 -----				%		Investment as a percentage of paid-up capital of investee company
	As at July 01, 2015	Purchases during the year	Bonus/Right issue	Sales during the year	As at June 30, 2016	Cost / carrying amount	Market value	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	%	%			
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise															
<b>Food and Personal Care Products</b>															
Al-Shaheer Corporation	-	585,500	181,825	758,233	9,092	585	475	(110)	0.01	0.01	0.01	0.01	0.01		
Engro Foods Limited	-	819,300	-	819,300	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
Murree Brewery Company	-	112,000	-	-	112,000	69,914	69,217	(697)	0.86	0.92	0.86	0.92	0.49		
Quice Food Industries Limited	4,897,500	-	-	4,897,500	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
						<b>70,499</b>	<b>69,692</b>	<b>(807)</b>	<b>0.87</b>	<b>0.93</b>					
<b>Glass and Ceramics</b>															
Ghani Glass Limited	451,500	-	-	451,500	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
Tariq Glass Industries Limited	115,000	1,418,000	-	411,000	1,122,000	72,697	82,972	10,275	1.03	1.11	1.03	1.11	1.53		
						<b>72,697</b>	<b>82,972</b>	<b>10,275</b>	<b>1.03</b>	<b>1.11</b>					
<b>Insurance</b>															
Adamjee Insurance Company Limited	-	450,000	-	450,000	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
IGI Insurance Limited	231,100	448,000	-	407,500	271,600	61,375	51,827	(9,548)	0.65	0.69	0.65	0.69	0.22		
						<b>61,375</b>	<b>51,827</b>	<b>(9,548)</b>	<b>0.65</b>	<b>0.69</b>					
<b>Leather and Tanneries</b>															
Bata Pakistan Limited	280	740	-	1,020	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
						-	-	-	0.00	0.00	0.00	0.00	0.00		
<b>Oil and Gas Exploration Companies</b>															
Mari Petroleum Company Limited	316,850	217,750	-	304,000	230,600	146,628	209,436	62,808	2.61	2.80	2.61	2.80	0.21		
Oil and Gas Development Company Limited	2,862,300	3,862,400	-	2,720,300	4,004,400	602,456	552,888	(49,568)	6.90	7.40	6.90	7.40	0.09		
Pakistan Oilfields Limited	997,100	2,108,200	-	1,540,400	1,564,900	511,832	543,771	31,939	6.78	7.27	6.78	7.27	0.66		
Pakistan Petroleum Limited	1,629,000	534,800	-	2,158,632	5,168	791	801	10	0.01	0.01	0.01	0.01	0.00		
						<b>1,261,707</b>	<b>1,306,896</b>	<b>45,189</b>	<b>16.30</b>	<b>17.48</b>					
<b>Oil and Gas Marketing Companies</b>															
Attock Petroleum Limited	-	246,550	-	246,550	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
Hi-Tech Lubricants Limited	-	2,140,500	-	80,000	2,060,500	120,622	121,920	1,298	1.52	1.63	1.52	1.63	1.78		
Pakistan State Oil Limited	639,500	984,800	-	708,600	915,700	341,581	343,809	2,228	4.29	4.60	4.29	4.60	0.34		
Sui Northern Gas Pipelines Limited	-	5,217,000	-	5,217,000	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
Sui Southern Gas Company Limited	1,314,500	-	-	1,314,500	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
						<b>462,203</b>	<b>465,729</b>	<b>3,526</b>	<b>5.81</b>	<b>6.23</b>					
<b>Power Generation and Distribution</b>															
Altern Energy Limited	-	327,000	-	-	327,000	11,844	11,984	140	0.15	0.16	0.15	0.16	0.09		
Hub Power Company Limited	99,000	4,200,700	-	4,299,700	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
K-Electric Limited	-	26,835,000	-	2,500	26,832,500	216,389	216,270	(119)	2.70	2.89	2.70	2.89	0.28		
Kot Addu Power Company Limited	-	3,643,000	-	250,000	3,393,000	295,992	302,825	6,833	3.78	4.05	3.78	4.05	0.39		
Lalpur Power Limited	6,050,000	2,349,000	-	-	8,399,000	172,180 ***	182,258	10,078	2.27	2.44	2.27	2.44	2.21		
Pakgen Power Limited	5,667,500	-	-	-	5,667,500	128,936	136,303	7,367	1.70	1.82	1.70	1.82	1.52		
						<b>825,340</b>	<b>849,640</b>	<b>24,300</b>	<b>10.60</b>	<b>11.36</b>					
<b>Pharmaceuticals</b>															
Abbott Laboratories (Pakistan) Limited	-	165,950	-	-	165,950	106,999	125,126	18,127	1.56	1.67	1.56	1.67	0.17		
The Searle Company Limited	-	525,230	60,969	549,797	36,402	12,352	19,517	7,165	0.24	0.26	0.24	0.26	0.03		
						<b>119,351</b>	<b>144,643</b>	<b>25,292</b>	<b>1.80</b>	<b>1.93</b>					
<b>Paper and Board</b>															
Cheerat Packaging Limited	507,300	22,000	39,697	568,997	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
Packages Limited	510,000	466,000	-	706,250	269,750	158,350	171,620	13,270	2.14	2.30	2.14	2.30	0.30		
						<b>158,350</b>	<b>171,620</b>	<b>13,270</b>	<b>2.14</b>	<b>2.30</b>					
<b>Refinery</b>															
National Refinery Limited	366,600	-	-	366,600	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
						-	-	-	0.00	0.00	0.00	0.00	0.00		
<b>Sugar and Allied Industries</b>															
Habib Sugar Mills Limited (Par value of Rs. 5)	163,000	28,000	-	191,000	-	-	-	-	0.00	0.00	0.00	0.00	0.00		
						-	-	-	0.00	0.00	0.00	0.00	0.00		

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

Name of the investee company	Number of shares				Balance as at June 30, 2016				Investment as a percentage of paid-up capital of investee company	
	As at July 01, 2015	Purchases during the year	Bonus/Right issue	Sales during the year	As at June 30, 2016	Cost / carrying amount	Market value / (diminution)	Market value as percentage of net assets		Market value as percentage of total investments
Shares of listed companies - fully paid ordinary shares of Rs. 10 each unless stated otherwise										
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>6.4 Net unrealised appreciation in value of investments at fair value through profit or loss</b>			
Market value of investments	6.1	230,191	792,898
Carrying value of investments	6.1	(217,155)	(582,641)
		<u>13,036</u>	<u>210,257</u>
<b>6.5 Unrealised appreciation / (diminution) in value of investments classified as available for sale</b>			
Market value of investments	6.3	7,246,274	5,129,077
Cost / carrying amount of investments	6.3	6,822,766	4,936,924
		<u>423,508</u>	<u>192,153</u>
Less: Unrealised appreciation / (diminution) in value of investments classified as available for sale at beginning of the period - not considered as impaired		<u>225,208</u>	<u>(522)</u>
		<u>198,300</u>	<u>192,675</u>
Unrealised appreciation / (diminution) in value of available for sale investments reclassified to income statement from other comprehensive income - consider as impaired		<u>33,033</u>	<u>-</u>
		<u>231,333</u>	<u>192,675</u>

**6.6** This represent 2,779,083 preference shares of Mari Petroleum Limited received by the Fund in 2015 as dividend income. These have been disposed off during the year.

### 6.7 Impairment Loss

For the year ended June 30, 2016 an impairment loss has been recognised in respect of following investments classified as available for sale, as diminution in the value of these securities is perceived significant reduction under the requirements of IAS 39.

	Weighted average cost	Reclassification of opening reserve on impairment	For the year impairment loss	Carrying amount as at June 30, 2016
	----- (Rupees in '000) -----			
Linde Pakistan Limited	8,524	2,662	1,483	4,379
Lalpir Power Limited	281,561	26,290	83,091	172,180
Pakgen Power Limited	174,163	4,081	41,146	128,936
Netsol Technologies Limited	95,780	-	19,628	76,152
	<u>560,028</u>	<u>33,033</u>	<u>145,349</u>	<u>381,646</u>

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

	Note	2016 (Rupees in '000)	2015
<b>7. DIVIDEND AND PROFIT RECEIVABLE</b>			
Dividend receivable		22,474	10,184
Profit accrued on bank deposits		1,204	905
		<u>23,678</u>	<u>11,089</u>
<b>8. ADVANCES AND SECURITY DEPOSITS</b>			
Advance tax		3,896	3,896
Security deposits - National Clearing Company of Pakistan Limited	8.1	2,500	3,025
- Central Depository Company of Pakistan Limited	8.2	500	500
Others		256	256
		<u>7,152</u>	<u>7,677</u>
<b>8.1 This represents deposit in respect of trading of listed securities.</b>			
<b>8.2 This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.</b>			
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	9.1	107,634	107,634
Provision for federal excise duty and related tax on	9.2		
- Management fee		54,774	28,299
- Sales Load		3,933	2,203
Unclaimed dividend		9,838	10,002
Brokerage		12,459	6,889
Withholding tax on dividend and others		7,004	26,287
Auditors' remuneration		639	554
Printing and related expenditure		386	368
Zakat		580	575
Others		974	229
		<u>198,221</u>	<u>183,040</u>

## **9.1 Provision for Workers Welfare Fund**

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

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the Court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in the Court.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, 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 July 1, 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 prudence, has decided to retain the provision for WWF amounting to Rs. 107.63 million in these financial statements pertaining to period July 1, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs. Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Rs. 1.17 per unit as at June 30, 2016.

### 9.2 Federal excise duty and related tax payable

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

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

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order on the FED. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

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

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 58.81 million (2015: Rs. 30.50 million).

### 10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2016 and June 30, 2015.

	Note	2016 (Rupees in '000)	2015
<b>11. REMUNERATION OF MANAGEMENT COMPANY</b>			
Management fee	11.1	<u>141,307</u>	<u>94,335</u>

- 11.1** Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. The Management Company has charged a remuneration at the rate of 2% (2015: 2%) per annum of the average daily net asset. In 2011, the Provincial Government (Sindh) has levied General Sales Tax at the rate of 14% on the remuneration of the Management Company. Further in 2013, Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 (Refer note 9.2).

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

	Note	2016 (Rupees in '000)	2015
<b>12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	12.1	<u>8,066</u>	<u>5,697</u>

- 12.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.

Based on the Trust Deed, the tariff structure applicable to the Fund from July 01, 2015 to June 30, 2016 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Up to Rs. 1 billion	Rs. 0.7 million or 0.20% p.a of NAV, which ever is higher.
Amount exceeding Rs. 1 billion	Rs. 2.0 million plus 0.10% p.a of NAV, exceeding Rs. 1 billion.

## 13. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

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

Accordingly the Fund has made an accrual of Rs. 1.13 million on account of Sindh Sales Tax on services chargeable on custodianship services.

	Note	2016 (Rupees in '000)	2015
<b>14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE</b>			
Annual fee	14.1	<u>6,712</u>	<u>4,481</u>

- 14.1** Under the provisions of Regulation, the fund is required to pay as annual fee to the SECP equal to 0.095 percent of the average annual net assets of the Fund.

	Note	2016 (Rupees in '000)	2015
<b>15. ALLOCATED EXPENSES INCLUDING INDIRECT EXPENSE</b>			
Reimbursement of fees and expenses	15.1	4,303	-
Sales tax on allocated expenses		<u>602</u>	<u>-</u>
		<u>4,905</u>	<u>-</u>

- 15.1** The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs. 4.3 million since November 27, 2015 at the maximum rate of 0.1% of average annual net assets being less than the actual expenses allocable to the Fund.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in '000)	2015
<b>16. AUDITORS' REMUNERATION</b>		
Annual audit fee	440	400
Half yearly review	275	275
Other certifications and services	125	125
Out of pocket expenses	159	262
	<u>999</u>	<u>1,062</u>

### 17. TAXATION

The Fund's income is exempted from Income Tax as per clause 99 of Part I of 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 holder. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the fund is required to distribute 90% of the net accounting income other than realised capital gain to unit holders. Since the management has distributed the income earned by the Fund during the year to the unit holder in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

	Note	2016 (Rupees in '000)	2015
<b>18. CASH AND CASH EQUIVALENT</b>			
In current accounts		18,495	18,363
In deposit accounts		693,250	371,913
		<u>711,745</u>	<u>390,276</u>

### 19. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being 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 undertaking and unit holders holding more than 10% units of the Fund.

Remuneration to the Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund. All other transactions with connected persons 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 JUNE 30, 2016

	2016	2015
	(Rupees in '000)	
<b>19.1 Details of the transaction with connected persons</b>		
<b>MCB - Arif Habib Savings and Investments limited - Management Company</b>		
Remuneration including indirect taxes	186,868	125,843
Reimbursement of Sindh Sales tax registration	-	8
Issue of 933,900 units (2015: 989,482 units)	80,261	73,317
Redemption of Nil units (2015: 99,262 Units)	-	7,000
Payment of conversion cost	1,136	-
Allocated expense including indirect expense	4,905	-
Dividend paid	956	3,795
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration	9,195	5,697
CDS charges	6	6
<b>Arif Habib Limited</b>		
Brokerage *	3,240	2,977
<b>Next Capital Limited</b>		
Brokerage *	1,893	2,116
<b>Summit Capital Private Limited</b>		
Brokerage *	101	10
<b>MCB Bank Limited</b>		
Markup income	3,907	10,990
Dividend income	3,200	3,158
Bank Charges	127	62
Sale of securities (face value: 250 million)	249,578	-
<b>Adamjee Life Assurance Company Limited - IMF</b>		
Issue of 11,539,036 units (2015: 2,573,986 units)	932,802	217,900
Dividend paid	7,774	27,367
<b>Adamjee Insurance Company Limited</b>		
Dividend income	675	-
<b>MCB Employees Provident Fund</b>		
Issue of Nil units (2015: 189,690 units)	-	15,998
Redemption of 4,189,296 units (2015: Nil Units)	329,907	-
<b>MCB Employees Pension Fund</b>		
Issue of Nil units (2015: 145,364 units)	-	12,260
Redemption of 3,210,370 units (2015: Nil Units)	252,817	-
<b>D.G. Khan Cement Company Limited Employees Provident Fund Trust</b>		
Issue of 769 units (2015: 63,925 units)	66	5,654
Dividend paid	66	503
<b>D.G. Khan Cement Company Limited</b>		
Dividend income	60	5,486
<b>Fatima Fertilizer Company Limited</b>		
Dividend income	-	9,977
<b>Nishat Chunian Power Limited</b>		
Dividend income	-	2
<b>Nishat Mills Limited</b>		
Dividend income	-	2,900
<b>Lalpir Power Limited</b>		
Dividend Income	16,798	6,050
<b>Pakgen Power Limited</b>		
Dividend Income	11,335	5,646
<b>Mughal Iron &amp; Steel Limited</b>		
Dividend Income	784	-



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

	2016	2015
	(Rupees in '000)	
<b>Mandate Under Discretionary Portfolio Services</b>		
Issue of 4,705,546 of units (2015: 4,394,228 units)	386,453	341,464
Redemption of 6,479,909 units (2015: 1,759,884 units)	509,932	143,142
Dividend paid	11,298	29,293
<b>Directors and executives of the Management Company</b>		
Issue of 273,540 units (2015: 244,024 units)	22,384	17,702
Redemption of 342,030 units (2015: 227,502 units)	27,848	16,659
Dividend paid	49	351
<b>19.2 Amount outstanding as at year end</b>		
<b>MCB - Arif Habib Savings and Investments limited - Management Company</b>		
Remuneration payable	12,793	10,056
Sales tax payment on management fee	1,791	2,205
Legal and professional charges payable	-	100
Sales load payable	1,092	1,028
Sindh sales tax payable on sales load	153	154
Conversion cost payable	545	1,681
Allocated expense payable	641	-
<b>Central Depository Company of Pakistan Limited-Trustee</b>		
Security deposit	500	500
Remuneration payable	824	591
<b>MCB Bank Limited</b>		
Balance with bank	106,946	323,734
Accrued markup	123	672
<b>Adamjee Life Assurance Company Limited - IMF</b>		
15,627,429 units held as at June 30, 2016 (2015: 4,088,393 units)	1,360,993	340,277
<b>MCB Employees Provident Fund</b>		
Nil units held as at June 30, 2016 (2015: 4,189,296 units)	-	348,675
<b>MCB Employees Pension Fund</b>		
Nil units held as at June 30, 2016 (2015: 3,210,371 units)	-	267,199
<b>MCB Arif Habib Savings and Investments Limited</b>		
1,922,136 units held as at June 30, 2016 (2015: 988,237 units)	167,399	82,251
<b>D.G. Khan Cement Company Limited Employees Provident Fund Trust</b>		
132,411 units held as at June 30, 2016 (2015: 131,642 units)	11,532	10,957
<b>Mandate Under Discretionary Portfolio Services</b>		
4,031,484 units held as at June 30, 2016 (2015: 5,805,847 units)	351,102	483,221
<b>Directors and executives of the Management Company</b>		
143,025 units held as at June 30, 2016 (2015: 211,516 units held)	12,456	17,843
<b>Arif Habib Limited</b>		
Brokerage payable	1,418	509
<b>Next Capital Limited</b>		
Brokerage payable	457	382
<b>D.G. Khan Cement Company Limited</b>		
421,000 shares held as at 30 June 2016 (2015: 1,517,000 shares)	80,196	216,582
<b>Fatima Fertilizer Company Limited</b>		
Nil shares held as at 30 June 2016 (2015: 78,000 shares)	-	3,047
<b>Lalpir Power Limited</b>		
8,399,000 shares held as at 30 June 2016 (2015: 6,050,000 shares)	182,258	184,525
<b>Pakgen Power Limited</b>		
5,667,500 shares held as at 30 June 2016 (2015: 5,667,500 shares)	136,303	170,082
<b>Nishat Mills Limited</b>		
1,579,000 shares held as at 30 June 2016 (2015: Nil shares)	170,375	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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

### 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

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

20.2 Mr. Muhammad Asim is the Fund Manager. Details of the other funds managed by fund manager are as follows:

- Pakistan Sarmaya Mehfooz Fund
- Pakistan Capital Market Fund
- MCB Pakistan Asset Allocation Fund
- Pakistan Pension Fund

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

**2016**  
**(Percentage)**  
**%**

Arif Habib Limited	9.35
JS Global Capital Limited	7.72
BMA Capital Management Limited	7.27
Fortune Securities Limited	7.20
Foundation Securities (Private) Limited	5.82
Topline Securities (Private) Limited	5.51
Next Capital Limited	4.93
Optimus Capital Management (Private) Limited	4.80
Taurus Securities Limited	4.02
KASB Securities Limited	3.75

**2015**  
**(Percentage)**  
**%**

Arif Habib Limited	11.35
Invest & Finance Securities Limited	10.49
JS Global Capital Limited	10.47
Topline Securities (Private) Limited	9.79
KASB Securities Limited	8.16
Taurus Securities Limited	8.10
Elixir Securities Pakistan (Private) Limited	6.96
Fortune Securities Limited	6.78
Foundation Securities (Private) Limited	6.71
Optimus Capital Management (Private) Limited	5.01

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

## 22. PATTERN OF UNIT HOLDINGS

	As at June 30, 2016			
	Number of	Number of	Investment	Percentage
	unit holders	units held	amount (Rupees in '000)	investment %
Individuals	6766	40,983,984	3,569,348	44.52
Insurance companies	8	1,953,382	170,122	2.12
Banks / DFIs	4	4,100,317	357,102	4.45
NBFCs	12	39,808	3,467	0.04
Retirement funds	82	12,572,919	1,094,992	13.66
Non Profit Organisations	15	3,311,383	288,392	3.60
Other companies	70	7,045,197	613,575	7.65
Associated companies	4	19,945,506	1,737,080	21.67
Directors	5	55,620	4,844	0.06
Others	13	2,054,897	178,964	2.23
	<b>6979</b>	<b>92,063,013</b>	<b>8,017,886</b>	<b>100.00</b>

	As at June 30, 2015			
	Number of	Number of	Investment	Percentage
	unit holders	units held	amount (Rupees in '000)	investment %
Individuals	5464	37,624,570	3,131,562	51.55
Insurance companies	10	3,583,719	298,279	4.91
Banks / DFIs	5	1,329,720	110,675	1.82
NBFCs	9	38,166	3,177	0.05
Retirement funds	78	9,984,673	831,043	13.68
Other companies	74	5,937,839	494,217	8.14
Associated companies	4	12,476,296	1,038,425	17.09
Directors	5	55,337	4,606	0.08
Others	17	1,958,655	163,022	2.68
	<b>5666</b>	<b>72,988,975</b>	<b>6,075,006</b>	<b>100.00</b>

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

### 23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, 118th, 119th, 120th, 121st, 122nd, 123rd, 124th and 125th Board meetings were held on August 07, 2015, October 16, 2015, January 04, 2016, February 04, 2016, April 24, 2015, May 27, 2016, June 21, 2016 and 27 June 2016 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of directors attending the meetings	Designation	Number of meetings held	Attendance required	Number of meetings		Meetings not attended
				Attended	Leave granted	
Mr. Mian Mohammad Mansha	Chairman	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
Mr. Nasim Beg	Director	8	8	7	1	119th
Dr. Syed Salman Ali	Director	8	8	8	-	-
Mr. Haroun Rashid	Director / Chairman Audit Committee	8	8	8	-	-
Mr. Ahmed Jahangir	Director	8	8	7	1	122nd
Mr. Samad A. Habib	Director	8	8	6	2	119th, 125th
Mr. Mirza Mehmood Ahmed	Director	8	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
Mr. Yasir Qadri*	Ex - Chief Executive Officer	8	3	3	-	-
Mr. Muhammad Saqib Saleem**	Chief Executive Officer	8	5	5	-	-

\* Mr. Yasir Qadri resigned on 4 January 2016

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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### 24. FINANCIAL RISK MANAGEMENT

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

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

The Fund financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at fair value through profit or loss and at available for sale and investment in government securities. The Fund also has dividend and profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management Company, Trustee and SECP and accrued and other liabilities.

#### 24.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the Securities and Exchange Commission of Pakistan and the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations), The Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the Rules).

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

##### 24.1.1 Currency risk

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

##### 24.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

###### a) Sensitivity analysis of variable rate instruments

As at June 30, 2016, the Fund does not hold any variable interest based investments except balances with banks in deposit accounts exposing the Fund to cash flow interest rate risk.

###### b) Sensitivity analysis of fixed rate instruments

As at June 30, 2016 the Fund does not holds any fixed rate instruments. Therefore the fund is not exposed to fair value interest rate risk.

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

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

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

2016						
	Yield / effective interest rate (%)	Up to three months	Exposed to Yield / Interest rate risk			Total
			More than three months and up to one year	More than one year	Not exposed to Yield / Interest rate risk	
----- Rs in '000 -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75 - 6.95	693,250	-	-	18,495	711,745
Investments		-	-	-	7,476,465	7,476,465
Receivable against sale of investments		-	-	-	159,109	159,109
Dividend and profit receivable		-	-	-	23,678	23,678
Security deposits		-	-	-	3,256	3,256
		<u>693,250</u>	<u>-</u>	<u>-</u>	<u>7,681,003</u>	<u>8,374,253</u>
Financial Liabilities						
Payable to the Management Company		-	-	-	17,015	17,015
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	824	824
Payable against purchase of investments		-	-	-	137,105	137,105
Accrued expenses and other liabilities		-	-	-	24,296	24,296
Payable against redemption of units		-	-	-	386	386
		<u>-</u>	<u>-</u>	<u>-</u>	<u>179,626</u>	<u>179,626</u>
On-balance sheet gap		<u>693,250</u>	<u>-</u>	<u>-</u>	<u>7,501,377</u>	<u>8,194,627</u>
Off-balance financial instruments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
2015						
	Yield / effective interest rate (%)	Up to three months	Exposed to Yield / Interest rate risk			Total
			More than three months and up to one year	More than one year	Not exposed to Yield / Interest rate risk	
----- Rs in '000 -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	5.5 - 7.5	371,913	-	-	18,363	390,276
Investments		-	-	-	5,949,763	5,949,763
Receivable against sale of investments		-	-	-	60,429	60,429
Dividend and profit receivable		-	-	-	11,089	11,089
Security deposits		-	-	-	3,781	3,781
		<u>371,913</u>	<u>-</u>	<u>-</u>	<u>6,043,425</u>	<u>6,415,338</u>
Financial Liabilities						
Payable to the Management Company		-	-	-	12,361	12,361
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	591	591
Payable against purchase of investments		-	-	-	140,053	140,053
Accrued expenses and other liabilities		-	-	-	20,905	20,905
Payable against redemption of units		-	-	-	839	839
		<u>-</u>	<u>-</u>	<u>-</u>	<u>174,749</u>	<u>174,749</u>
On-balance sheet gap		<u>371,913</u>	<u>-</u>	<u>-</u>	<u>5,868,676</u>	<u>6,240,589</u>
Off-balance financial instruments		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

### 24.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified on the balance sheet as at fair value through profit or loss and available-for-sale. To manage its price risk arising from investment in equity securities, the Fund's investment policy, as restricted by the NBFC Regulations, the NBFC Rules, restricts investments in listed shares of one company to 10% of the Fund's net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 30% of the net assets of the Fund or index weight whichever is higher. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decision.

In case of 5% increase/ decrease in PSX 100 index on June 30, 2016, total comprehensive income for the year and net assets would be increase/ decrease by Rs. 403.33 million (2015: Rs. 324.46 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss' and available for sale investments.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the PSX 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the PSX index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2016 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of PSX 100 index.

### 24.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on balances with banks, security deposits, profit, dividend and other receivables. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2016 and June 30, 2015 is the carrying amounts of following financial assets.

	2016	2015
	(Rupees in '000)	
Balances with banks	711,745	390,276
Receivable against sale of investments	159,109	60,429
Dividend and profit receivable	23,678	11,089
Security deposits	3,256	3,781
	<u>897,788</u>	<u>465,575</u>

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

#### Bank Balances by rating category

	2016	2015
	----- % -----	
AAA / A1+	15.74	84.49
AA+ / A1+	36.96	14.47
AA+ / A-1+	0.22	0.14
AA / A1+	46.58	0.00
AA- / A1+	0.01	0.00
A / A-1	0.49	0.90
	<u>100.00</u>	<u>100.00</u>



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

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The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

### **Investment in fixed income securities**

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

### **Security deposits**

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

### **Other receivables**

Other receivable includes dividend receivable, profit receivable on bank deposits and government securities and receivable against sale of investments. These are considered secured by the management and as such the Fund is not materially exposed to credit risk on these financial assets.

### **Concentration of credit risk**

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

### **Settlement risk**

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for, only upon delivery using central clearing system.

## **24.3 Liquidity risk**

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

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

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

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

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

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.

	June 30, 2016			Total
	Up to three months	Over three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
Payable to the Management Company	17,015	-	-	17,015
Payable to the Central Depository Company of Pakistan Limited - Trustee	824	-	-	824
Payable against purchase of investments	137,105	-	-	137,105
Accrued expenses and other liabilities	24,296	-	-	24,296
Payable against redemption of units	386	-	-	386
	<b>179,626</b>	<b>-</b>	<b>-</b>	<b>179,626</b>

	June 30, 2015			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000) -----			
Payable to the Management Company	12,361	-	-	12,361
Payable to the Central Depository Company of Pakistan Limited - Trustee	591	-	-	591
Payable against purchase of investments	140,053	-	-	140,053
Accrued expenses and other liabilities	20,905	-	-	20,905
Payable against redemption of units	839	-	-	839
	<b>174,749</b>	<b>-</b>	<b>-</b>	<b>174,749</b>

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

## 24.4 Financial instruments by category

	June 30, 2016			
	Assets at			
	Loans and	fair value	Available for	Total
	receivables	through	sale investments	
		profit or loss		
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	711,745	-	-	711,745
Investments	-	230,191	7,246,274	7,476,465
Receivable against sale of investments	159,109	-	-	159,109
Dividend and profit receivable	23,678	-	-	23,678
Security deposits	3,256	-	-	3,256
	897,788	230,191	7,246,274	8,374,253

	June 30, 2016		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Financial Liabilities</b>			
Payable to the Management Company	-	17,015	17,015
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	824	824
Payable against purchase of investments	-	137,105	137,105
Accrued expenses and other liabilities	-	24,296	24,296
Payable against redemption of units	-	386	386
	-	179,626	179,626

	June 30, 2015			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
<b>Financial Assets</b>				
Balances with banks	390,276	-	-	390,276
Investments	-	792,898	5,156,865	5,949,763
Receivable against sale of investments	60,429	-	-	60,429
Dividend and profit receivable	11,089	-	-	11,089
Security deposits	3,781	-	-	3,781
	465,575	792,898	5,156,865	6,415,338

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

	June 30, 2015		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Financial Liabilities</b>			
Payable to the Management Company	-	12,361	12,361
Payable to the Central Depository Company of Pakistan Limited - Trustee	-	591	591
Payable against purchase of investments	-	140,053	140,053
Accrued expenses and other liabilities	-	20,905	20,905
Payable against redemption of units	-	839	839
	-	174,749	174,749

## 24.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

## 24.6 Fair value hierarchy

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

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

Financial assets which are tradeable in an open market are revalued at the market prices prevailing on the balance sheet date. The estimated fair value of all other financial assets and liabilities is considered not significantly different from book values as the items are either short term in nature or periodically repriced.

International Financial Reporting Standard 7, Financial Instruments : Disclosure requires an entity shall 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:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

**Level 3:** inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

	-----2016-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
<b>Investment in equity</b>				
- at fair value through profit or loss	230,191	-	-	230,191

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

- available for sale	7,246,274	-	-	7,246,274
	7,476,465	-	-	7,476,465

	-----2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment in equity				
- at fair value through profit or loss	792,898	-	-	792,898
- available for sale	5,129,077	-	-	5,129,077
	5,921,975	-	-	5,921,975

## 25. UNITHOLDERS' FUND RISK MANAGEMENT

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

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

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 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 endeavors to invest the subscriptions received inappropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

## 26. RECLASSIFICATION OF COMPARATIVE FIGURE

Following reclassifications have been made in the audited financial statements in order to give a better and more appropriate presentation.

			June 30, 2015
	From	To	Rupees in
Conversion Cost	Accrued expenses and other Liabilities	Payable to management company	1,681
Sales Load	Accrued expenses and other Liabilities	Payable to management company	1,182

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


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### 27. GENERAL

Figures have been rounded off to the nearest thousand Rupees, unless other wise stated.

### 28. DATE OF AUTHORISATION OF ISSUE

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

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

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

  
\_\_\_\_\_  
Director

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

Category	No.of Unit Holders	Units
<b>Associated Companies, undertakings and related Parties</b>		
ADAMJEE LIFE ASSURANCE COMPANY LIMITED-IMF	1	15,627,429
MCB Arif Habib Savings and Investments Limited	1	1,922,136
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	132,411
<b>Mutual Funds</b>	-	-
<b>Directors and their spouse (s) and minor children</b>		
<b>Executives</b>	19	143,025
<b>Public sector companies and corporations</b>	71	7,045,197
<b>Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds</b>	106	18,666,426
<b>Unitholders holding 5 percent or more Voting interest in the listed company</b>	-	-
<b>Others</b>	6,780	48,526,388.75
	<b>6,979</b>	<b>92,063,013</b>



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

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No. of Unit Holder	Unit holdings	Total Units Held
6069	1-10000	8,701,912
790	10001-100000	21,869,452
111	100001-1000000	29,057,110
9	1000001 onwards	32,434,540
<b>6,979</b>		<b>92,063,013</b>

## PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	8,018	6,075	3,730	1,179
Net Assets value per unit – Rupees	87.09	83.23	62.56	77.58
Closing Offer Price	90.69	85.51	64.29	79.73
Closing Repurchase Price	87.09	83.23	62.56	77.58
Highest offer price per unit	93.98	91.70	82.47	83.22
Lowest offer price per unit	76.67	61.04	61.28	54.05
Highest Redemption price per unit	90.25	89.25	80.25	81.25
Lowest Redemption price per unit	73.63	59.41	59.63	52.98
Distribution per unit – Rs. *	0.50	4.00	16.71	18.61
<b>Average Annual Return - %</b>				
One year	5.25	39.35	34.78	49.42
Two year	22.30	37.06	42.10	49.42
Three year	26.46	41.18	42.10	49.42
Net Income for the year – Rs. in million	171.42	1,570.73	484.09	390.56
Distribution made during the year – Rs. in million	43.67	273.04	754.42	282.88
Accumulated Capital Growth – Rs. in million	127.75	1,297.69	(270.33)	107.68

**\* Date of Distribution**

2016	
Date	Rate

June 27, 2016                      0.50

2015	
Date	Rate

June 22, 2015                      4.00

2014	
Date	Rate

June 27, 2014                      16.71

2013	
Date	Rate

July 04, 2013                      18.61

**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 48 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	35	35	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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