



Aik Teer Sey Dou Shikar

PAKISTAN

CAPITAL MARKET FUND

MCB-Arif Habib Savings and Investments Limited

Rated: 'AM2++' by PACRA

TABLE OF CONTENTS

01	Vision, Mission & Core Value	02
02	Fund's Information	03
03	Report of the Director of Management Company	04
04	Report of the Fund Manager	15
05	Trustee Report to the Unit Holders	18
06	Statement of Compliance with the Code of Corporate Governance	19
07	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	21
08	Independent Auditors' Report to the Unit Holders	22
09	Statement of Assets and Liabilities	23
10	Income Statement	24
11	Statement of Comprehensive Income	25
12	Distribution Statement	26
13	Statement of Movement in Unit Holders' Fund	27
14	Cash Flow Statement	28
15	Notes to and Forming Part of the Financial Statements	29
16	Pattern of Holding as Per Requirement of Code of Corporate Governance	56
17	Pattern of Units Holding By Size	57
18	Performance Table	58
19	Proxy Issued By Fund	59

Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Standard Chartered Bank Limited United Bank Limited NIB Bank Limited Bank Al-Habib Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 ++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Capital Market Fund's** accounts review for year period ended June 30th, 2016.

ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

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

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

EQUITIES MARKET OVERVIEW

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

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

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

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 under review, the fund posted a return of 5.17% compared to 8.89% posted by the benchmark.

On the equities front, the overall allocation was increased to 63.8% from 57.3% at the beginning of the period. Exposure in cash was reduced drastically from 33.7% to 12.4% at the end of the period under review. The fund increased its exposure in Power Generation & Distribution sector while it was reduced in Automobile sector.

On the fixed income side, the fund had increased its exposure in T-Bills to 22.8% as of 30th June, 2016. The fund's exposure in PIBs was decreased to 0.0% from 3.4%.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 627 million as compared to Rs. 682 million as at June 30, 2015 registering a decrease of 8.06%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 10.69 as compared to opening NAV of Rs. 10.55 per unit as at June 30, 2015 showing an increase of Rs. 0.14 per unit.

FUTURE OUTLOOK

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

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

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

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

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

Corporate Governance

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

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

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 22 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2016:

1. Meeting of the Audit Committee.

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

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

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

** Attended 6th meeting as Acting CEO.

- a. No 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.

External Auditors

The fund's external auditors, Deloitte Yousuf Adil Chartered Accountants have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2017. The audit committee of the Board has recommended reappointment of Deloitte Yousuf Adil Chartered Accountants as auditors of the fund for the year ending June 30, 2017.

ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
August 05, 2016

ڈائریکٹرز رپورٹ

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

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”ڈیلائٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ نے 30 دسمبر 2017ء کو ختم ہونے والی مدت کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 دسمبر 2017ء کو ختم ہونے والی مدت کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلائٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش پیش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

05 اگست 2016ء

ڈائریکٹر رپورٹ

شرکت کی۔ (باقی تمام ڈائریکٹریہ ترقیاتی کورس مکمل کر چکے ہیں، یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔)

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 22 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 (چیئرمین)
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 **

* 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۔

ڈائریکٹر 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 شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو بالتفصیل واضح کیا گیا ہے۔

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

- a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور یونٹ ہولڈرز کے فنڈ میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی درست بگس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Banking Finance کمپنیز (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Banking Finance اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ڈیڈس 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) ملحقہ 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 تریٹی پروگرام میں چیف ایگزیکٹو آفیسر نے

ڈائریکٹر رپورٹ

اشیاء کی مارکیٹ کے لئے ایک تشویش ناک امر ہے، اور اس کے ساتھ ساتھ برطانیہ کے یورپی یونین کو خیر باد کہہ دینے کے بعد عالمی سطح پر غیر یقینی صورتحال۔ عالمی سطح پر اشیاء کی کمزور صورتحال کے باعث درآمداتی بل کمزور رہے گا لیکن اس کے نتیجے میں برآمدات کی وصولی بھی تاخیر کا شکار ہو سکتی ہے۔

سال مذکورہ کا اوسط کمزور پرائس انڈیکس متوقع طور پر 5% سے کم رہے گا۔ جبکہ تیل قیمتوں اور زر مبادلہ کی شرح میں استحکام کی بدولت افراز زر پہلی ششماہی میں تقریباً 4% کی سطح پر قابو میں رہے گی، چنانچہ ایک مستحکم مانیٹری پالیسی کے ماحول کے لئے فریم ورک موافق ہے اور اس میں کسی عنصر کو بیرونی جہت میں مستحکم کرنے کی گنجائش موجود ہے۔

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

پاکستانی روپیہ متوقع طور پر مزید 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 PSX-100 انڈیکس میں تیزی آ سکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے متعین شدہ معیار 8.89% کے مقابلے میں 5.17% منافع کمایا۔

ایکویٹیز کے میدان میں مجموعی اختصاص کو، جو مدت کے آغاز میں 57.3% تھا، بڑھا کر 63.8% کر دیا گیا۔ نقد میں شمولیت کو 33.7% سے بہت کم کر کے زیر جائزہ مدت کے اختتام تک 12.4% کر دیا گیا۔ فنڈ نے بجلی کی پیداوار اور تقسیم کے شعبے میں اپنی شمولیت میں اضافہ کیا جبکہ گاڑیوں کے شعبے میں کم کیا۔

بندھی ہوئی آمدنی کے شعبے میں فنڈ نے T-Bill میں اپنی شمولیت کو بڑھا کر 30 جون 2016ء تک 22.8% کر دیا تھا۔ PIBs میں فنڈ کی شمولیت 3.4% سے کم کر کے 0.0% کر دی گئی۔

30 جون 2016ء کو فنڈ کے net اثاثے 627 ملین روپے تھے جبکہ 30 جون 2015ء کو 682 ملین روپے تھے، یعنی 8.06% کمی ہوئی۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 10.69 روپے تھی جبکہ 30 جون 2015ء کو 10.55 روپے تھی، یعنی 0.14 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

موجودہ عالمی معاشی ماحول کو دیکھتے ہوئے مقامی معاشی صورتحال متوقع طور پر مستحکم رہے گی۔ تیل کی قیمتیں آئل ریفائنریز میں پٹرول کی مصنوعات کے خاطر خواہ اسٹاک، rig کی تعداد میں اضافے اور تیل کی قیمتوں کی وصولی کی وجہ سے متوقع طور پر قابل رسائی رہیں گی، اور اس وجہ سے بھی کہ اس بات کی توقع بہت کم ہے کہ بڑے آئل پروڈیوسرز رسد کو کم کرنے کے مقصد سے کوئی معاہدہ کریں گے۔ چین میں مندی سے کمزور عالمی صورتحال کی عکاسی ہوتی ہے، اور بینک آف جاپان اور یورپین سینٹرل بینک کا انٹریسٹ کی منفی شرحیں اختیار کرنا بھی

ڈائریکٹر رپورٹ

ایکویٹیز مارکیٹ کا 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 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 یوریا کی بین الاقوامی قیمتیں پہلی مرتبہ مقامی قیمتوں سے بھی کم ہو گئیں۔

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

ڈائریکٹر رپورٹ

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

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

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

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

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

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

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

بورڈ آف ڈائریکٹرز کی طرف سے ”پاکستان کیپٹل مارکیٹ فنڈ“ کے 30 جون 2016ء کو ختم ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

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

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

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

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

Fund Type and Category

Pakistan Capital Market Fund (PCMF) is an Open-End Balanced Scheme

Fund Benchmark

The benchmark for Pakistan Capital Market Fund is 50% KSE 100 Index + 50% 1 Year T-Bill

Investment Objective

The objective of the Fund is to maximize returns available from Pakistan's capital market by investing the Fund Property in equity as well as debt instruments while diversifying the risk within the market.

Investment Strategy

Pakistan Capital Market Fund (PCM) is an open-end balanced fund that invests in a range of asset classes such as equity and debt in Pakistani market. The asset allocation to equities and debt is made on the basis of relative attractiveness of each asset class. The investment process is driven by fundamental research. For equities investment, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. For debt investment, interest rate outlook is the key determining factor and allocation to this segment is increased when the yields are comparatively higher compared to the total returns on equities. Investment is made in corporate bonds (investment grade) and government bonds. Cash is kept in deposits with highly rated banks. PCM is a long only Fund and cannot undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Manager's Review

During the period under review, the fund posted a return of 5.17% compared to 8.89% posted by the benchmark.

On the equities front, the overall allocation was increased to 63.8% from 57.3% at the beginning of the period. Exposure in cash was reduced drastically from 33.7% to 12.4% at the end of the period under review. The fund increased its exposure in Power Generation & Distribution sector while it was reduced in Automobile sector.

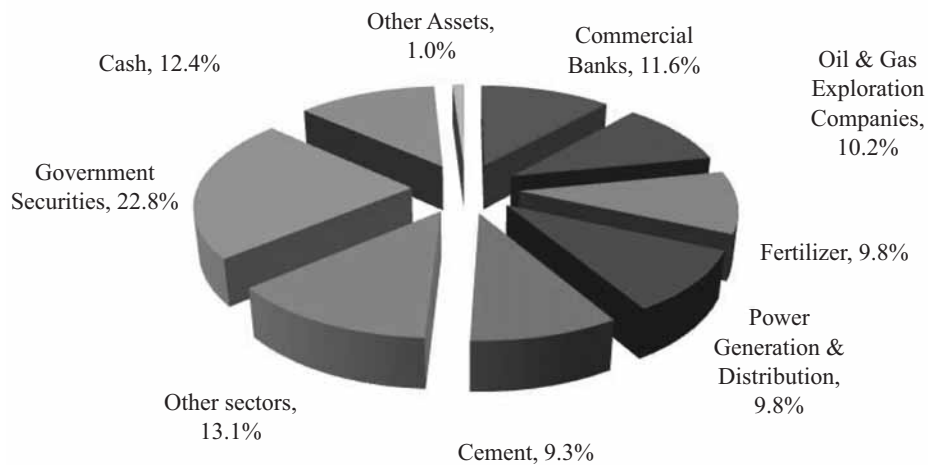
On the fixed income side, the fund had increased its exposure in T-Bills to 22.8% as of 30th June, 2016. The fund's exposure in PIBs was decreased to 0.0% from 3.4%.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 627 million as compared to Rs. 682 million as at June 30, 2015 registering a decrease of 8.06%.

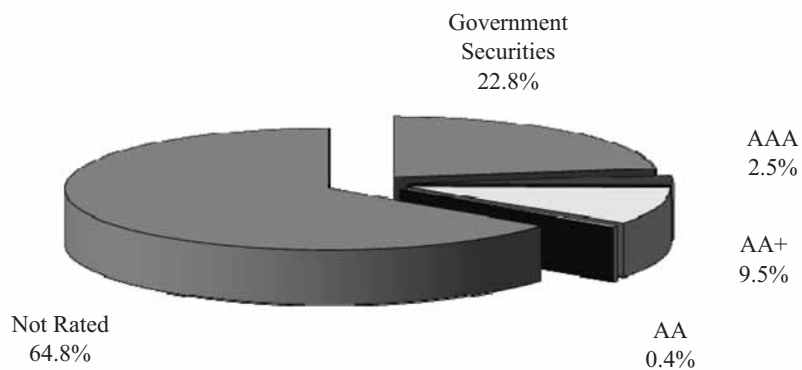
The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 10.69 as compared to opening NAV of Rs. 10.55 per unit as at June 30, 2015 showing an increase of Rs. 0.14 per unit.

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

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



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



Muhammad Asim, CFA
Fund Manager

Karachi: August 05, 2016

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

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL 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 Pakistan Capital 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 **Pakistan Capital 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.

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

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

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

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

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

On behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer

Karachi: August 05, 2016

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

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

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

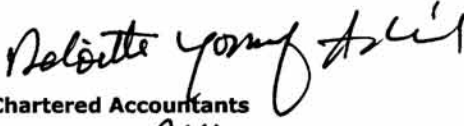
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company (the Company) of **Pakistan Capital Market Fund (the Fund)** 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
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Capital 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.

Other matter

The financial statements of the Fund for the year ended June 30, 2015 were audited by another firm of Chartered Accountants who vide their report dated August 07, 2015 issued an unqualified opinion thereon.

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
ASSETS			
Balances with banks	5	80,904	240,948
Investments	6	566,333	468,715
Dividend and profit receivables	7	1,599	1,314
Advances, deposits and prepayments	8	5,057	5,001
Total assets		653,893	715,978
LIABILITIES			
Payable to the Management Company		1,332	1,291
Payable to the Central Depository Company of Pakistan Limited - Trustee		119	96
Payable to the Securities and Exchange Commission of Pakistan		647	394
Payable against purchase of investment		-	8,512
Payable against redemption of units		1,218	216
Accrued expenses and other liabilities	9	23,655	23,582
Total liabilities		26,971	34,091
NET ASSETS		626,922	681,887
Unit holders' fund (as per statement attached)		626,922	681,887
Contingencies and commitments	10		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		58,632,774	64,639,267
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		10.69	10.55

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
INCOME			
Capital gain on sale of investments - net		7,705	74,899
Dividend income		27,010	14,147
Income from government securities		12,699	7,006
Income from term finance certificates		787	2,038
Profit on bank deposits		4,927	5,071
Income on deposit with NCCPL against exposure margin		20	23
Unrealised appreciation in value of investments			
at fair value through profit or loss - net	6.6	1,314	28,633
Reclassification of opening reserve on impairment of			
available for sale investments	6.7	(3,605)	-
Impairment loss for the year on available for sale investments	6.7	(12,621)	-
Total income		38,236	131,817
EXPENSES			
Remuneration of the Management Company	11	15,175	9,271
Sales tax and Federal Excise Duty on remuneration of Management company		4,889	3,097
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	12	1,518	926
Sindh sales tax on remuneration of the trustee	13	212	-
Securities and Exchange Commission of Pakistan - annual fee	14	647	394
Allocated expenses including related taxes	15	496	-
Securities' transaction cost		1,446	1,857
Settlement and bank charges		482	437
Fees and subscription		170	228
Auditors' remuneration	16	614	555
Printing and related cost		349	280
Legal and professional charges		162	100
Total expenses		26,160	17,145
Net income from operating activities		12,076	114,672
Net element of income / (loss) and capital gains / (losses) included			
in the prices of units issued less those in units redeemed			
arising from capital gain and unrealised gain		841	42,210
arising from other (loss) / gain		(5,258)	(11,060)
Provision for Workers' Welfare Fund		-	(2,916)
Net income for the year before taxation		7,659	142,906
Taxation	17	-	-
Net income for the year after taxation		7,659	142,906

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

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

	Note	2016 (Rupees in '000)	2015
Net income for the year after taxation		7,659	142,906
Other comprehensive income for the year			
<i>Items that may be reclassified to profit and loss account</i>			
Unrealised appreciation in value of investments classified as available for sale - net		10,347	13,687
Reclassification adjustment relating to impairment of investments classified as available for sale		3,605	-
Total comprehensive income for the year		<u><u>21,611</u></u>	<u><u>156,593</u></u>
Earnings per unit	4.11	<u><u>-</u></u>	<u><u>-</u></u>

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	2015
	(Rupees in '000)	
Undistributed income brought forward		
- Realised (losses)	(2,293)	(66,435)
- Unrealised gains	24,429	28,843
	22,136	(37,592)

Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to the Distribution Statement

5,822	(17,437)
7,659	142,906
13,481	125,469

Net income for the year after taxation

Distributions

Interim cash distribution for the year ended June 30, 2015 at Rs. 1.35 per unit (date of distribution: June 22, 2015)

-	(65,741)
(22,333)	-
(22,333)	(65,741)

Interim cash distribution for the year ended June 30, 2016 at Re. 0.40 per unit (date of distribution: June 27, 2016)

Undistributed income carried forward

13,284	22,136
--------	--------

Represented by:

- Realised (losses)	(137,052)	(2,293)
- Unrealised gains	150,336	24,429
	13,284	22,136

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 UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in '000)	2015
Net assets at beginning of the year	681,887	364,636
Issue of 33,936,154 units (2015: 50,493,116 units) <i>(including 1,739,231 units (2015: 5,638,189 units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 19.960 million (2015: Rs. 60.272 million)- net of tax)</i>	356,209	541,247
Redemption of 39,942,647 units (2015: 26,079,878 units)	(414,869)	(283,698)
	<u>(58,660)</u>	<u>257,549</u>
	623,227	622,185
Net element of (income)/ loss and capital (gains)/ losses included in prices of units issued less those in units redeemed		
-amount representing (income) / loss and capital (gains) / losses transferred to the Income Statement		
arising from capital (gain) and unrealised (gain)	(841)	(42,210)
arising from other loss / (gain)	5,258	11,060
-amount representing (income) / loss and capital (gains) / losses that form part of unit holders' fund - transferred to the Distribution Statement - net	(5,822)	17,437
	(1,405)	(13,713)
Net income for the year transferred from the Distribution Statement		
Capital gain on sale of investments - net	7,705	74,899
Unrealised appreciation in value of investments at fair value through profit or loss - net	1,314	28,633
Other net operating (loss) / income	(1,360)	39,374
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	5,822	(17,437)
	13,481	125,469
Distributions made during the year (refer Distribution Statement)	(22,333)	(65,741)
Unrealised appreciation in value of investment classified as available for sale - net	10,347	13,687
Reclassification adjustment relating to impairment of investments classified as available for sale	3,605	-
Net assets at end of the year	<u>626,922</u>	<u>681,887</u>
	(Number of units)	
NUMBER OF UNITS IN ISSUE	<u>58,632,774</u>	<u>64,639,267</u>
	(Rupees)	
NET ASSET VALUE PER UNIT	<u>10.69</u>	<u>10.55</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

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in '000)	2015
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year	7,659	142,906
<i>Adjustments for</i>		
Unrealised appreciation in value of investments at fair value through profit or loss - net	(1,314)	(28,633)
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed		
arising from capital (gain) and unrealised (gain)	(841)	(42,210)
arising from other loss / (gain)	5,258	11,060
Reclassification adjustment relating to impairment of investments classified as available for sale	3,605	-
Impairment loss for the year on available for sale investments	12,621	-
Provision for Workers' Welfare Fund	-	2,916
	26,988	86,039
(Increase) / decrease in assets		
Investments - net	(98,578)	(110,416)
Dividend and profit receivables	(285)	412
Advances, deposits and prepayments	(56)	4,769
Receivable against sale of investment	-	9,941
	(98,919)	(95,294)
Increase / (decrease) in liabilities		
Payable to the Management Company	41	584
Payable to the Central Depository Company of Pakistan Limited - Trustee	23	37
Payable to the Securities and Exchange Commission of Pakistan	253	90
Payable against purchase of investment	(8,512)	8,512
Payable against redemption of units	1,002	-
Accrued expenses and other liabilities	73	7,508
	(7,120)	16,731
Net cash (used in) / generated from operating activities	A (79,051)	7,476
B. CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	(22,333)	(65,741)
Cash received from units issued	356,209	541,247
Cash paid on units redeemed	(414,869)	(283,698)
Net cash (used in) / generated from financing activities	B (80,993)	191,808
Net (decrease) / increase in cash and cash equivalents during the year	A+B (160,044)	199,284
Cash and cash equivalents at beginning of the year	240,948	41,664
Cash and cash equivalents at end of the year	80,904	240,948

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 Pakistan Capital Market Fund (the fund) was established under a Trust Deed executed between Arif Habib Investments Ltd.(now MCB - Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee on October 27, 2003. The Investment Advisor of PCMF obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Formation of PCMF as a closed-end scheme was authorized by SECP on November 5, 2003 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 has been changed to 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi, Pakistan.
- 1.3 During the year 2005, the fund was converted from a closed-end scheme to an open-end scheme. The fund has been categorised as Balanced Scheme and offers units for public subscription on continuous basis. The units of the fund are transferable and can also be redeemed by surrendering to the fund. The fund is listed on Pakistan Stock Exchange, formerly listed on Karachi, Lahore and Islamabad stock exchanges.
- 1.4 The fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse purchase transactions.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Asset Management rating of AM2++ dated June 08, 2016 to the Management Company and long term performance rating of 3-star and short term performance rating of 4-star 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, amendments and interpretations are effective for the year ended June 30, 2016. These standards, interpretations and the 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.

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 standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, amendments and interpretations 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 there against (refer note 4.1 and 4.3).

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 principle accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

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

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.

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

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. Impairment losses are recognised in income statement. Any subsequent decrease in impairment loss on debt securities classified as available for sale is recognised in income statement. 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.

The Board of Directors of the Management Company has formulated a comprehensive policy for making provision against non-performing investments in compliance with Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP.

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.

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.

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

4.9 Other assets

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

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. Transaction costs are recorded as income of the fund.

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.

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

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.
- Income on reverse repurchase transactions and debt securities (including government securities) is recognized on a time proportion basis using effective interest rate method.
- Markup on government securities is recognised on an accrual basis.
- 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, 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 declared 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 approved.

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
5. BALANCES WITH BANKS			
In current accounts		2,781	2,781
In saving accounts	5.1	78,123	238,167
		80,904	240,948

5.1 These accounts carry profit at the rate ranging from 3.75% to 7% (2015: 6% to 9.2%) per annum.

6. INVESTMENTS

At fair value through profit or loss - held for trading

Listed equity securities	6.1	15,113	91,252
Government securities	6.2	148,962	29,954
Unlisted debt securities	6.3	-	3,736
		164,075	124,942

Available for sale

Listed equity securities	6.4	402,258	319,134
Government securities	6.5	-	24,639
		566,333	468,715

Listed equity securities at fair value through profit or loss

6.1

35

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

Issue date	Face value				As at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2015	Purchased during the period	Disposed during the period	Matured during the period	As at June 30, 2016	Carrying value	Appreciation / (diminution)		
									0%
									(Rupees in '000)
Treasury bills - 12 months	-	100,000	-	100,000	-	-	-	-	-
Treasury bills - 6 months	30,000	50,000	-	30,000	50,000	49,503	49,506	3	7.90
Treasury bills - 3 months	-	830,000	225,000	505,000	100,000	99,430	99,456	26	15.86
As as at June 30, 2016						148,933	148,962	29	23.76
As as at June 30, 2015						29,958	29,954	(4)	4.39

6.3 Unlisted debt securities - Term Finance Certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates					As at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the period	Matured during the period	Disposed during the period	As at June 30, 2016	Carrying value	Market value	Appreciation / (diminution)		
										0%
										(Rupees in '000)
Maple Leaf Cement Factory Limited - Sukuk	2,000	-	2,000	-	-	-	-	-	-	-
As as at June 30, 2016	2,000	-	2,000	-	-	-	-	-	-	-
As as at June 30, 2015	2,000	-	-	-	2,000	3,223	3,736	513	0.55	0.80

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

6.4 Listed equity securities - Available for sale

Name of the Investee Company	As at July 1, 2015	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at June 30, 2016	As at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
											%
----- Rupees in '000' -----											
----- Number of shares -----											
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
AUTOMOBILE AND PARTS											
Indus Motors Company Limited	15,000	-	-	15,000	-	-	-	-	-	-	-
GENERAL INDUSTRIALS											
Thal Limited (Par value of Rs. 5 each)	-	45,000	-	45,000	-	-	-	-	-	-	-
Chert Packaging Limited	34,600	-	2,595	37,195	-	-	-	-	-	-	-
Packages Limited	29,000	24,000	-	53,000	-	-	-	-	-	-	-
Ghani Glass Limited	105,000	-	56,000	161,000	-	-	-	-	-	-	-
HOUSEHOLD GOODS											
Pak Elektron Limited	13,000	540,500	28,125	243,000	338,625	21,368	21,892	524	3.49	3.86	0.09
CONSTRUCTION AND MATERIALS											
Chert Cement Company Limited	-	190,000	-	-	190,000	17,776	22,718	4,942	3.62	4.01	0.11
** D.G. Khan Cement Company Limited	90,000	60,000	-	150,000	-	-	-	-	-	-	-
Kohat Cement Company Limited	-	34,300	-	34,300	-	-	-	-	-	-	-
Lucky Cement Limited	-	65,200	-	20,000	45,200	25,927	29,313	3,386	4.68	5.17	0.01
Maple Leaf Cement Factory Limited	100,000	160,500	-	260,500	-	-	-	-	-	-	-
Pioneer Cement Limited	110,000	349,000	-	380,000	79,000	7,376	8,485	1,109	1.35	1.50	0.03
Fauji Cement Company Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
CHEMICALS											
ICI Pakistan Limited	31,000	9,900	-	-	40,900	17,353	18,201	848	2.90	3.21	0.04
Dawood Hercules Corporation Limited	-	122,000	-	122,000	-	-	-	-	-	-	-
Engro Corporation Limited	77,200	212,500	-	146,800	142,900	45,044	47,581	2,537	7.59	8.40	0.03
** Fatima Fertilizer Company Limited	-	760,000	-	530,000	230,000	15,085	14,830	(255)	2.37	2.62	0.02
Fauji Fertilizer Bin Qasim Limited	-	500,000	-	500,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	165,700	564,000	-	564,000	-	-	-	-	-	-	-
Linde Pakistan Limited	3,000	-	-	165,700	3,000	314	314	-	0.05	0.06	0.01
COMMERCIAL BANKS											
Allied Bank Limited	-	237,500	-	237,500	-	-	-	-	-	-	-
Bank Al Habib Limited	-	189,500	-	189,500	-	-	-	-	-	-	-
Habib Bank Limited	216	334,300	-	133,916	200,600	37,428	39,631	2,203	6.32	7.00	0.01
** MCB Bank Limited	-	27,200	-	2,200	25,000	5,801	5,500	(301)	0.88	0.97	0.00
United Bank Limited	50,000	387,300	-	262,500	174,800	27,184	30,926	3,742	4.93	5.46	0.01
INDUSTRIAL METALS AND MINING											
Amreli Steels Limited	-	5,863	-	5,863	-	-	-	-	-	-	-
Crescent Steel and Allied Products Limited	-	109,500	-	109,100	400	50	46	(4)	0.01	0.01	0.00
Crescent Steel and Allied Products Limited (Right option)	-	-	8,625	8,625	-	-	-	-	-	-	-
ENGINEERING											
Mughal Iron and Steel Industries Limited	-	220,000	-	220,000	-	-	-	-	-	-	-
FOOD & PERSONAL CARE PRODUCTS											
Al-Shabeer Corporation Limited	-	88,000	14,000	101,300	700	43	37	(6)	0.01	0.01	0.00
Engro Foods Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
Shezan International Limited	3,500	-	-	900	2,600	1,174	1,174	-	0.19	0.21	0.03
						1,217	1,211	(6)	0.20	0.22	

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

Name of the Investee Company	As at July 1, 2015	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at June 30, 2016	As at June 30, 2016				Market value as a percentage of total investments	Investment as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)	Market value as percentage of net assets		
Rupees in '000'											
%											
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
GLASS & CERAMICS	110,000	100,000	-	57,000	153,000	9,991	11,314	1,323	1.80	2.00	0.21
Tariq Glass Industries Limited						9,991	11,314	1,323	1.80	2.00	
NON LIFE INSURANCE COMPANIES											
Adanjee Insurance Company Limited	-	70,000	-	70,000	-	-	-	-	-	-	-
IGI Insurance Limited	30,000	30,000	-	59,800	200	47	38	(9)	0.01	0.01	0.00
						47	38	(9)	0.01	0.01	
MISCELLANEOUS											
Shifa International Hospitals Limited	-	145,100	2,023	147,123	-	-	-	-	-	-	-
						-	-	-	-	-	
PHARMACEUTICALS											
The Searle Company Limited	-	21,000	2,100	21,000	2,100	798	1,126	328	0.18	0.20	-
						798	1,126	328	0.18	0.20	
OIL AND GAS											
Attock Petroleum Limited	20,000	38,000	-	58,000	-	-	-	-	-	-	-
Hascol Petroleum Limited	-	79,000	-	79,000	-	-	-	-	-	-	-
Mari Petroleum Company Limited	-	20,000	-	-	20,000	11,642	18,164	6,522	2.90	3.21	0.02
Oil & Gas Development Company Limited	155,000	212,700	-	199,100	168,600	23,854	23,279	(575)	3.71	4.11	0.03
Pakistan Oilfields Limited	94,800	117,500	-	139,800	72,500	24,853	25,192	339	4.02	4.45	
Pakistan Petroleum Limited	96,000	25,000	-	121,000	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	25,000	90,500	-	100,300	15,200	5,802	5,707	(95)	0.91	1.01	0.01
						66,151	72,342	6,191	11.54	12.78	
OIL AND GAS MARKETING COMPANIES											
Sui Northern Gas Pipeline Limited	-	318,000	-	318,000	-	-	-	-	-	-	-
						-	-	-	-	-	
ELECTRICITY											
Hub Power Company Limited	46,513	400,000	-	446,513	-	-	-	-	-	-	-
K-Electric Limited (Par value of Rs. 3.5 each)	630	2,425,000	-	500,000	1,925,630	15,503	15,521	18	2.48	2.74	0.02
Kot Addu Power Company Limited	-	364,000	-	79,000	285,000	25,591	25,436	(155)	4.06	4.49	0.03
Lalpur Power Limited	365,000	150,000	-	50,000	465,000	10,091	10,091	-	1.61	1.78	0.12
Pakgen Power Limited	300,000	230,000	-	-	530,000	12,746	12,746	-	2.03	2.25	0.14
						63,931	63,794	(137)	10.18	11.26	
FOOD PRODUCERS											
Habib Sugar Mills Limited	350,000	-	-	350,000	-	-	-	-	-	-	-
						-	-	-	-	-	
TECHNOLOGY & COMMUNICATIONS											
Hum Network Limited (Par value of Rs. 1 each)	-	513,000	-	513,000	-	-	-	-	-	-	-
Neisul Technologies Limited	-	190,000	-	-	190,000	9,519	9,519	-	1.52	1.68	0.21
Systems Limited	117,165	33,500	-	150,500	165	7	9	2	-	-	0.00
						9,526	9,528	2	1.52	1.68	
PERSONAL GOODS											
Nishat Mills Limited	-	275,000	-	259,000	16,000	1,584	1,726	142	0.28	0.30	-
						1,584	1,726	142	0.28	0.30	
TRANSPORT											
Pakistan National Shipping Corporation Limited	30,600	-	-	12,000	18,600	2,050	1,742	(308)	0.28	0.31	0.01
						2,050	1,742	(308)	0.28	0.31	
As at June 30, 2016						376,001	402,258	26,257	64.18	71.03	
						305,490	319,134	13,644	46.80	68.09	
As at June 30, 2015											

* The above include shares with a market value aggregating to Rs. 23,875 million (June 30, 2015: Rs. 29,153) which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

** These represent transactions with related parties.

*** These amounts represent carrying value of these securities as at June 30, 2016 after impairment. (Refer Note 6.7)

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

6.5 Government securities - Available for sale

Issue date	Face value				As at June 30, 2016	As at June 30, 2016		Market value as a percentage of net assets	Market value as a percentage of total investments	
	As at July 1, 2015	Purchased during the period	Disposed during the period	Matured during the period		Carrying cost	Market value			Appreciation /(diminution)
----- (Rupees in '000) -----										
Pakistan Investment Bond - 03 years	-	-	-	-	-	-	-	-	-	
Pakistan Investment Bond - 05 years	-	50,000	50,000	-	-	-	-	-	-	
Pakistan Investment Bond - 10 years	25,000	-	25,000	-	-	-	-	-	-	
As as at June 30, 2016										
<hr/>										
<hr/>										
<hr/>										
As at June 30, 2015					24,688	24,639	(49)	3.61	5.26	

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

	Note	2016 ---- (Rupees in '000) ----	2015
6.6 Unrealised appreciation in value of investments at fair value through profit or loss - net			
Market value of investments	6.1, 6.2 & 6.3	164,075	124,942
Carrying value of investments	6.1, 6.2 & 6.3	(162,761)	(96,309)
		1,314	28,633

6.7 Impairment loss

For the year ended June 30, 2016 an impairment loss has been recognised in respect of the 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	622	202	106	314
Shezan International Limited	3,333	1232	927	1,174
Lalpir Power Limited	16,019	1556	4,372	10,091
Pakgen Power Limited	17,220	615	3,859	12,746
Netsol Technologies Limited	12,876	-	3,357	9,519
	50,070	3,605	12,621	33,844

	Note	2016 ---- (Rupees in '000) ----	2015
7. DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		1,288	295
Profit accrued on bank deposits		311	343
Accrued profit on government security - Pakistan Investment Bonds		-	648
Accrued profit on Term Finance Certificates		-	28
		1,599	1,314

8. ADVANCES, DEPOSITS AND PREPAYMENTS

Advance tax		379	408
Security deposits			
National Clearing Company of Pakistan Limited	8.1	4,293	4,293
Central Depository Company of Pakistan Limited	8.2	300	300
Prepayments		85	-
		5,057	5,001

8.1 This represents deposit in respect of trading of listed securities.

8.2 This represents initial deposit for opening of investor account for electronic transfer of book-entry securities.

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

		2016	2015
	Note	---- (Rupees in '000) ----	
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	9.1	10,732	10,732
Provision for Federal Excise Duty and related tax			
- on management fee	9.2	5,872	3,109
- sales load		393	99
Legal and professional charges		60	-
Withholding tax		2,396	5,767
Dividend		2,783	2,783
Auditors' remuneration		419	368
Zakat		125	125
Brokerage		540	292
Other		335	307
		<u>23,655</u>	<u>23,582</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 Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending for adjudication.

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

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

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, 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 01, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of abundant precaution, has decided to retain the provision for WWF amounting to Rs. 10.732 million in these financial statements pertaining to period July 01, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs.Nil on account of WWF. Had the 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 Re. 0.18 per unit as at June 30, 2016.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 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 04, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order 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 abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 6.265 million (2015: Rs. 3.208 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
11. REMUNERATION OF MANAGEMENT COMPANY			
Management fee	11.1	<u>15,175</u>	<u>9,271</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. During the year, the Management Company has charged its remuneration at the rate of 2% (2015: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears. In 2011, the Provincial Government (Sindh) has levied General Sales Tax at the rate of 14% on the remuneration of the Management Company. Further, the Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 (Refer note 9.2).

	Note	2016 ---- (Rupees in '000) ----	2015
12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	12.1	<u>1,518</u>	<u>926</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

Amount of funds under management (Average NAV)

Tariff per annum

Up to Rs. 1,000 million

Rs. 0.7 million or 0.20% p.a. of Net Assets, whichever is higher

Over Rs. 1,000 million

Rs. 2 million plus 0.10% p.a. of Net Assets exceeding Rs. 1,000 million

The remuneration is paid to the trustee monthly in arrears.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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 13th 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% is applicable 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. 0.212 million on account of Sindh Sales Tax on custodianship services.

	Note	2016 ---- (Rupees in '000) ----	2015
14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE			
Annual fee	14.1	<u>647</u>	<u>394</u>

14.1 Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund.

15. ALLOCATED EXPENSES

Reimbursement of fees and expenses	15.1	435	-
Sales tax on allocated expenses		<u>61</u>	-
		<u>496</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. 0.435 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.

	Note	2016 ---- (Rupees in '000) ----	2015
16. AUDITORS' REMUNERATION			
Annual audit fee		291	263
Half yearly review fee		145	131
Other certifications		116	105
Out of pocket expenses		<u>62</u>	<u>56</u>
		<u>614</u>	<u>555</u>

17. TAXATION

17.1 The Fund's income is exempt from Income Tax under Clause (99) of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised, is distributed amongst the unit holders. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities 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.

	2016 (Rupees in '000)	2015
18. CASH AND CASH EQUIVALENTS		
Balances with banks	<u>80,904</u>	<u>240,948</u>

19. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons / related parties 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 undertakings and unit holders holding more than 10% units of the fund.

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 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

Details of transactions with connected persons and balances with them at year end are as follows:

	2016	2015
	(Rupees in '000)	
19.1 Details of the transaction with connected persons		
MCB - Arif Habib Savings and Investments limited - Management Company		
Remuneration including indirect taxes	20,064	12,368
Reimbursement of Sindh Sales tax registration	-	8
Allocated expenses including related taxes	496	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	1,730	926
CDS charges	75	88
Nishat Mills Limited Employees Provident Fund Trust		
Issue of Nil units (2015: 23,196,843 units)	-	253,050
Issue of Nil bonus units (2015: 971,093 units)	-	10,381
Redemption of 15,507,222 units (2015: 8,660,714 units)	162,981	91,284
Arif Habib Limited		
Brokerage *	199	179
Next Capital Limited		
Brokerage *	170	109
MCB Bank Limited		
Bank charges	35	22
Dividend income	18	55
Mark-up income	1,104	3,852
Purchase of securities face value: 50,000,000 (2015: Nil)	49,215	-
Nishat Mills Limited		
Dividend income	-	180
D.G. Khan Cement Limited		
Dividend income	202	466
Lalpir Power Limited		
Dividend income	1,030	365
Pakgen Power Limited		
Dividend income	1,060	300
Fatima Fertilizer Company Limited		
Dividend income	-	550
Directors and executives of the Management Company		
Issue of Nil bonus units (2015: 1,791 units)	-	19
Redemption of 17,544 units (2015: 8,871 units)	182	80
Dividend Paid	-	21

* 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.

	2016	2015
	(Rupees in '000)	
19.2 Amount outstanding as at year end		
MCB - Arif Habib Savings and Investments limited - Management Company		
Remuneration payable	1,043	977
Sales tax payable on management fee	146	147
Legal and professional charges payable	-	100
Sales load payable	80	58
Sindh sales tax payable on sales load	11	9
Allocated expenses payable	52	-
Central Depository Company of Pakistan Limited-Trustee		
Security deposit	300	300
Remuneration payable	104	96
Sindh sales tax payable on remuneration of trustee	15	-
MCB Bank Limited		
Balance with bank	13,170	228,970
Profit receivable on bank deposit	93	301
25,000 shares held (June 30, 2015: Nil)	5,500	-
Nishat Mills Limited Employees Provident Fund Trust		
Nil units held as at June 30, 2016 (2015: 15,507,222 units)	-	163,601

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

	2016 (Rupees in '000)	2015
Arif Habib Limited - Brokerage House		
Brokerage payable	85	8
Next Capital Private Limited - Brokerage House		
Brokerage payable	58	13
Pakgen Power Limited		
530,000 shares held (June 30, 2015: 300,000 shares)	12,746	9,003
D.G. Khan Cement Limited		
Nil shares held (June 30, 2015: 90,000 shares)	-	12,849
Lalpir Power Limited		
465,000 shares held (June 30, 2015: 365,000 shares)	10,091	11,113
Nishat Mills Limited		
91,000 shares held (June 30, 2015: Nil shares)	9,819	-
Directors, executives and employees of the Management Company		
Nil units held (June 30, 2015: 17,544 units)	-	185

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
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	18 years
Mr. Muhammad Asim	Asset class specialist - Equities	MBA & CFA	13 years
Mr. Saad Ahmed	Asset class specialist - Fixed Income	MBA	10 years
Mr. Awaiz Abdul Sattar	Senior Research Analyst	MBA & CFA	5 years
Mr. Muhammad Aitazaz Farooqui	Research Analyst	MBA & CFA (II)	2 years

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

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

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

	2016 (Percentage)
Arif Habib Limited	7.91
JS Global Capital Limited	6.97
Next Capital Limited	6.71
Top Line Securities Pvt Limited	6.66
Optimas Capital Management Pvt Limited	6.45
Taurus Securities Limited	6.32
Nael Capital Pvt Limited	5.68
BMA Capital Management Limited	4.95
Fortune Securities Limited	4.51
Al Habib Capital Markets Pvt Limited	4.23
	2015 (Percentage)
Foundation Securities Limited	10.20
Fortune Securities Limited	9.40
Arif Habib Limited	9.40
BMA Capital Management Limited	7.60
Optimas Capital Management Pvt Limited	7.30
Top Line Securities Pvt Limited	7.00
JS Global Capital Limited	7.00
Invest and Finance Securities Limited	6.90
KASB Securities Limited	5.90
Next Capital Limited	4.50

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 unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2,663	54,791,441	585,849	93.45
Insurance companies	3	598,836	6,403	1.02
Banks / DFIs	1	359	4	0.00
NBFCs	2	27,662	296	0.05
Others	42	3,214,476	34,370	5.48
	2,711	58,632,774	626,922	100.00

	As at June 30, 2015			
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2,649	44,206,935	466,344	68.39
Insurance companies	2	116,313	1,227	0.18
Banks / DFIs	1	379	4	0.00
NBFCs	2	26,898	284	0.04
Retirement funds	12	3,443,796	36,329	5.33
Others	32	16,844,922	177,699	26.06
	2,698	64,639,243	681,887	100.00

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

24. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize 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 are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund 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, investment in debt securities 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 holds government securities which are classified as at fair value through profit or loss exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2016, with all other variables held constant, the net income for the year and net assets would be lower by Rs. 0.175 million (2015: lower by Rs. 0.007 million). In case of 100 basis points decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2016, with all other variables held constant, , the net income for the year and net assets would be higher by Rs. 0.176 million (2015: higher by Rs.0.006 million).

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

June 30, 2016						
	Yield/ effective interest rate (%)	Exposed to Yield / Interest rate risk			Not exposed to Yield / Interest rate risk	Total
		Up to three months	More than three months and up to one year	More than one year		
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75% to 7%	80,904	-	-	-	80,904
Investments						
At fair value through profit and loss - net						
Listed equity securities		-	-	-	15,113	15,113
Government securities		148,962	-	-	-	148,962
Available for sale						
Listed equity securities		-	-	-	402,258	402,258
Government securities		-	-	-	-	-
Dividend and profit receivables		-	-	-	1,599	1,599
Security deposits		-	-	-	4,593	4,593
		<u>229,866</u>	<u>-</u>	<u>-</u>	<u>423,563</u>	<u>653,429</u>
Financial Liabilities						
Payable to the Management Company		-	-	-	1,332	1,332
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	119	119
Accrued expenses and other liabilities		-	-	-	4,137	4,137
Payable against redemption of units		-	-	-	1,218	1,218
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,806</u>	<u>6,806</u>
On-balance sheet gap		<u>229,866</u>	<u>-</u>	<u>-</u>	<u>416,757</u>	<u>646,623</u>
Off-balance sheet financial instruments		-	-	-	-	-

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

June 30, 2015						
	Yield/ effective interest rate (%)	Exposed to Yield / Interest rate risk			Not exposed to Yield/ Interest rate risk	Total
		Up to three months	More than three months and up to one	More than one year		
----- Rs in '000 -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	6% - 9.2%	240,948	-	-	-	240,948
Investments						
At fair value through profit and loss - net						
- (Listed equity securities		-	-	-	91,252	91,252
- I Government securities		29,954	-	-	-	29,954
- Unlisted debt securities		-	-	3,736	-	3,736
Available for sale						
- (Listed equity securities		-	-	-	319,134	319,134
- Government securities		-	-	24,639	-	24,639
Dividend and profit receivable		-	-	-	1,314	1,314
Security deposits		-	-	-	4,593	4,593
		270,902	-	28,375	416,293	715,570
Financial Liabilities						
Payable to the Management Company		-	-	-	1,291	1,291
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	96	96
Payable against purchase of investments		-	-	-	8,512	8,512
Accrued expenses and other liabilities		-	-	-	3,875	3,875
Payable against redemption of units		-	-	-	216	216
		-	-	-	13,990	13,990
On-balance sheet gap		270,902	-	28,375	402,303	701,580
Off-balance sheet financial instruments		-	-	-	-	-

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. For government securities, price risk and sensitivity is not determinable as they are traded in secondary market and no market value is available. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decision.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

In case of 5% increase/ decrease in PSX 100 index on June 30, 2016, the net income for the year and net assets would be increase/ decrease by Rs.22.932 million (2015: Rs. 12.277 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 minimize 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 (Rupees in '000)	2015
Balances with banks	80,904	240,948
Dividend and profit receivable	1,599	666
Investments	-	3,736
Security deposits	4,593	4,593
	<u>87,096</u>	<u>249,943</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+	19.60	95.84
AA+ / A1+	76.77	4.16
AA / A1+	3.62	0.00
AA- / A1+	0.01	0.00
	<u>100.00</u>	<u>100.00</u>

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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.

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.

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

	June 30, 2016			
	Up to three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in '000) -----			
Payable to the Management Company	1,332	-	-	1,332
Payable to the Central Depository Company of Pakistan Limited - Trustee	119	-	-	119
Payable against redemption of units	1,218	-	-	1,218
Accrued expenses and other liabilities	4,137	-	-	4,137
	6,806	-	-	6,806

	June 30, 2015			
	Up to three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in '000) -----			
Payable to the Management Company	1,291	-	-	1,291
Payable to the Central Depository Company of Pakistan Limited - Trustee	96	-	-	96
Payable against purchase of investment	8,512	-	-	8,512
Payable against redemption of units	216	-	-	216
Accrued expenses and other liabilities	3,875	-	-	3,875
	13,990	-	-	13,990

24.4 Financial instruments by category

	June 30, 2016			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	80,904	-	-	80,904
Investments	-	164,075	402,258	566,333
Dividend and profit receivable	1,599	-	-	1,599
Security deposits	4,593	-	-	4,593
	87,096	164,075	402,258	653,429

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Financial Liabilities			
Payable to the Management Company	-	1,332	1,332
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	119	119
Payable against redemption of units	-	1,218	1,218
Accrued expenses and other liabilities	-	4,137	4,137
	-	6,806	6,806

	June 30, 2015			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	240,948	-	-	240,948
Investments	-	124,942	343,773	468,715
Dividend and profit receivable	1,314	-	-	1,314
Security deposits	4,593	-	-	4,593
	246,855	124,942	343,773	715,570

	June 30, 2015		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Financial Liabilities			
Payable to the Management Company	-	1,291	1,291
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	96	96
Payable against purchase of investments	-	8,512	8,512
Payable against redemption of units	-	216	216
Accrued expenses and other liabilities	-	3,875	3,875
	-	13,990	13,990

24.5 Fair value hierarchy

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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).

	-----June 30, 2016-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment classified				
- at fair value through profit or loss	15,113	148,962	-	164,075
- available for sale	402,258	-	-	402,258
	<u>417,371</u>	<u>148,962</u>	<u>-</u>	<u>566,333</u>

	-----June 30, 2015-----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment classified				
- at fair value through profit or loss	91,252	33,690	-	124,942
- available for sale	319,134	24,639	-	343,773
	<u>410,386</u>	<u>58,329</u>	<u>-</u>	<u>468,715</u>

25. UNIT HOLDERS' 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 in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

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

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:

	From	To	June 30, 2015 (Rupees in '000)
Sales Load	Payable to management company - Sales load payable	Accrued expenses and other liabilities - Provision for Federal Excise Duty on load	99

27. GENERAL

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

28. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized 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
Associated Companies, undertakings and related Parties	-	-
Mutual Funds	-	-
Directors and their spouse (s) and minor children	-	-
Executives	-	-
Public sector companies and corporations		
Banks, Development Finance Institutiios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	9	1,148,256
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	2,702	57,484,518
	<u>2,711</u>	<u>58,632,774</u>

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

No. of Unit Holder	Unit holdings	Total Units Held
1902	1-10000	5,110,353
705	10001-100000	18,991,196
100	100001-1000000	24,235,279
4	1000001 onwards	10,295,946
2,711		58,632,774

PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	627	682	365	401
Net Assets value per unit – Rupees	10.69	10.55	9.06	9.67
Closing Offer Price	10.98	10.84	9.31	9.94
Closing Repurchase Price	10.69	10.55	9.06	9.67
Highest offer price per unit	11.63	12.41	10.83	10.23
Lowest offer price per unit	10.07	9.06	8.75	7.78
Highest Redemption price per unit	11.32	12.08	10.54	9.99
Lowest Redemption price per unit	9.80	8.82	8.51	7.62
Distribution per unit – Rs. *	0.40	1.35	1.51	1.28
Average Annual Return - %				
One year	5.17	31.11	26.10	28.08
Two year	18.14	28.61	27.09	28.08
Three year	20.79	28.43	27.42	28.08
Net Income for the year – Rs. in million	7.66	142.91	79.12	87.78
Distribution made during the year – Rs. in million	22	66	52	53
Accumulated Capital Growth – Rs. in million	(15)	77	27	35

* Date of Distribution

2016	
Date	Rate
June 25, 2016	0.4

2015	
Date	Rate
June 22, 2015	1.35

2014	
Date	Rate
June 27, 2014	1.51

2013	
Date	Rate
July 04, 2013	1.28

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

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 39 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	17	17	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.



**Be aware, Be alert,
Be safe**

**Learn about investing at
www.jamapunji.pk**

Key features:

- Licensed Entities Verification
- Scam meter*
- Jamapunji games*
- Tax credit calculator*
- Company Verification
- Insurance & Investment Checklist
- FAQs Answered

- Stock trading simulator
(based on live feed from KSE)
- Knowledge center
- Risk profiler*
- Financial calculator
- Subscription to Alerts (event notifications, corporate and regulatory actions)
- Jamapunji application for mobile device
- Online Quizzes



Jama Punji is an Investor
Education Initiative of
Securities and Exchange
Commission of Pakistan

jamapunji.pk

@jamapunji_pk

*Mobile apps are also available for download for android and ios devices

Please find us on



by typing: **Bachat Ka Doosra Naam**

For any complaint/query/suggestion, please email at mcbah.qa@mcbah.com

MCB-Arif Habib Savings and Investments Limited

24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900

UAN: (+92-21) 11-11-62224 (11-11-MCBAH), 111-468-378 (111-INVEST)

Bachat Center: 0800-62224 (0800-MCBAH), Fax: (+92-21) 35316080, 35316081

URL: www.mcbah.com, Email: info@mcbah.com