



**Aam key Aam Guthliyon key Daam**

**PAKISTAN**  
**INCOME**  
**FUND**

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

Rated: 'AM2++' by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

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

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

Dear Investor,

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

## ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

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

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

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.14% as against its benchmark return of 6.97%.

At period-end, the fund was 21.7% invested in Treasury Bills, 22.9% in TFCs, 27.2% in PIBs and 25.7% in Cash. Weighted average maturity of the fund increased to 2.3 years at period end compared to 2.1 years at June 2015 end as per anticipation of declining interest rate outlook during the year.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 1,050 million as compared to Rs. 1,131 million as at June 30, 2015 registering a decrease of 7%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 53.61 as compared to opening NAV of Rs. 53.42 per unit as at June 30, 2015 registering a slight increase of Rs. 0.19 per unit.

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

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## FUTURE OUTLOOK

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

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

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

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

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

## Corporate Governance

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

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

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

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

- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. During the year Chief Executive Officer has attended the Directors' Training Program organized by the Institute of Chartered Accounts in Pakistan. (All other the directors have completed the course or they are exempted from attending training course due to sufficient working experience.)
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. The details of attendance of Board of Directors meeting is disclosed in note 24 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2016:

### 1. Meeting of the Audit Committee.

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

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

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

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

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

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

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

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

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



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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	-	2995	-
2	Asif Mehdi	Chief Financial Officer	-	3745	-
3	Abdul Basit	Company Secretary	-	-	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-

**External Auditors**

The fund's external auditors, Deloitte Yousuf Adil, Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under offering document of the fund, they are not eligible for reappointment. The audit committee of the Board has recommended appointment of A.F. Ferguson & Co., Chartered Accountants as auditors of the fund for the year ending June 30, 2017.

**ACKNOWLEDGMENT**

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

On behalf of Directors,



**Muhammad Saqib Saleem**

Chief Executive Officer

August 05, 2016



# ڈائریکٹرز رپورٹ

نمبر شمار	نام	عہدہ	سرمایہ کاری	Redemption	ڈیویڈنڈ کی تقسیم
				یونٹس کی تعداد	
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	2,995	-
2.	محمد آصف مہدی رضوی	چیف فنانشل آفیسر	-	3,745	-
3.	عبدالباسط	کمپنی سیکرٹری	-	-	-
4.	فہد سلطان	چیف انٹرل آڈیٹر	-	-	-

## خارجی آڈیٹرز

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

## اظہار تشکر

بورڈ فنڈ کے گراں قدر سرمایہ کاروں، 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

## 1. آڈٹ کمیٹی کی میٹنگ

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

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

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

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

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

# ڈائریکٹرز رپورٹ

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

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

b. فنڈ کی دُرست بُکس 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 فنانس کمپنیز (اسٹابلیشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Banking فنانس اینڈ نوٹیفائیڈ انڈسٹریز ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرئل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

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

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

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

i. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) 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 تربیتی پروگرام میں چیف ایگزیکٹو آفیسر نے شرکت کی۔ (باقی تمام ڈائریکٹرز یہ تربیتی کورس مکمل کر چکے ہیں، یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔)

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

m. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات ملحقہ مالیاتی گوشواروں کے نوٹ 24 میں پیش کی گئی ہیں۔ 30 جون 2016ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

# ڈائریکٹر رپورٹ

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

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

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

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

## کارپوریٹ گورننس

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

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے منافع کے متعین شدہ معیار 6.97% کے مقابلے میں سال بھر میں 6.14% منافع کمایا۔

اختتام مدت پر فنڈ کا سرمایہ ٹریڈری بلز میں 21.7%، TFCs میں 22.9%، PIBs میں 27.2% اور نقد میں 25.7% لگا ہوا تھا۔

30 جون 2016ء کو فنڈ کے net اثاثے 1,050 ملین روپے تھے جبکہ 30 جون 2015ء کو 1,131 ملین روپے تھے، یعنی 7% کمی ہوئی۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 53.61 روپے تھی جبکہ 30 جون 2015ء کو ابتدائی NAV فی یونٹ 53.42 روپے تھی، یعنی 0.19 روپے فی یونٹ اضافہ ہوا۔

## مستقبل کی صورتحال

موجودہ عالمی معاشی ماحول کو دیکھتے ہوئے مقامی معاشی صورتحال متوقع طور پر مستحکم رہے گی۔ تیل کی قیمتیں آئل ریفائنریز میں پٹرول کی مصنوعات کے خاطر خواہ اسٹاک، rig کی تعداد میں اضافے اور تیل کی قیمتوں کی وصولی کی وجہ سے متوقع طور پر قابل رسائی رہیں گی، اور اس وجہ سے بھی کہ اس بات کی توقع بہت کم ہے کہ بڑے آئل پروڈیوسرز رسد کو کم کرنے کے مقصد سے کوئی معاہدہ کریں گے۔ چین میں مندی سے کمزور عالمی صورتحال کی عکاسی ہوتی ہے، اور بینک آف جاپان اور یورپین سینٹرل بینک کا انٹریسٹ کی منفی شرحیں اختیار کرنا بھی اشیاء کی مارکیٹ کے لئے ایک تشویش ناک امر ہے، اور اس کے ساتھ ساتھ برطانیہ کے یورپی یونین کو خیر باد کہہ دینے کے بعد عالمی سطح پر غیر یقینی صورتحال۔ عالمی سطح پر اشیاء کی کمزور صورتحال کے باعث درآمداتی بل کمزور رہے گا لیکن اس کے نتیجے میں برآمدات کی وصولی بھی 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 زرمبادلہ کی شرح میں استحکام کی بدولت افراط زر پہلی ششماہی میں تقریباً 4% کی سطح پر قابو میں رہے گی، چنانچہ ایک مستحکم مانیٹری پالیسی کے ماحول کے لئے فریم ورک موافق ہے

# ڈائریکٹر رپورٹ

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

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

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

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

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

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

نیم 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 انکم 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 ہرگزرتے 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 کثیرالچہتی ایجنسیوں سے فراہمیوں کے ذریعے 1.05 بلین USD فاضل پر تھی۔



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

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### Fund Type and Category

Pakistan Income Fund- (PIF) is an open end mutual fund and comes under income scheme. The fund primarily invests in money market and other short term instruments which includes short term corporate debt and government securities. The fund may also invest in medium term assets in order to provide higher returns to unit holders.

### Fund Benchmark

The benchmark for the fund is 75% 6Months' KIBOR+ 25% 3Months' PKRV.

### Investment Objective

The objective of the Fund is to deliver returns primarily from debt and fixed income investments without taking excessive risk.

### Manager's Review

During the period under review, the fund generated an annualized return of 6.14% as against its benchmark return of 6.97%.

At period-end, the fund was 21.7% invested in Treasury Bills, 22.9% in TFCs, 27.2% in PIBs and 25.7% in Cash. Weighted average maturity of the fund increased to 2.3 years at period end compared to 2.1 years at June 2015 end as per anticipation of declining interest rate outlook during the year.

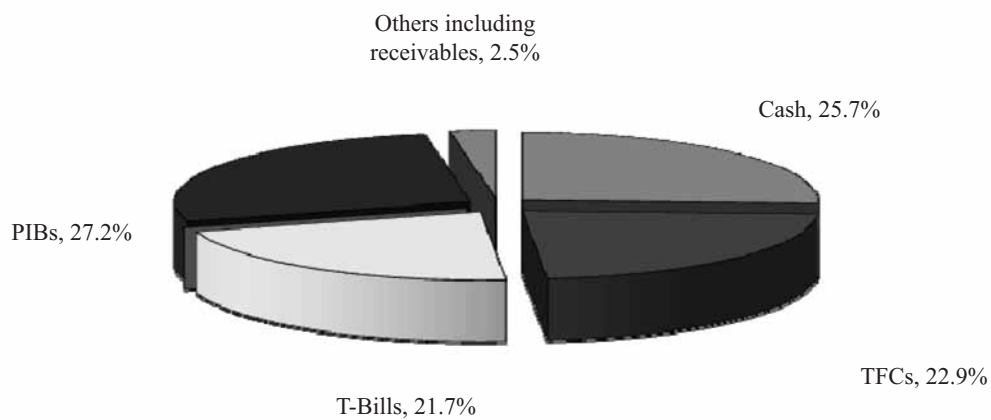
The Net Assets of the Fund as at June 30, 2016 stood at Rs. 1,050 million as compared to Rs. 1,131 million as at June 30, 2015 registering a decrease of 7%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 53.61 as compared to opening NAV of Rs. 53.42 per unit as at June 30, 2015 registering a slight increase of Rs. 0.19 per unit.

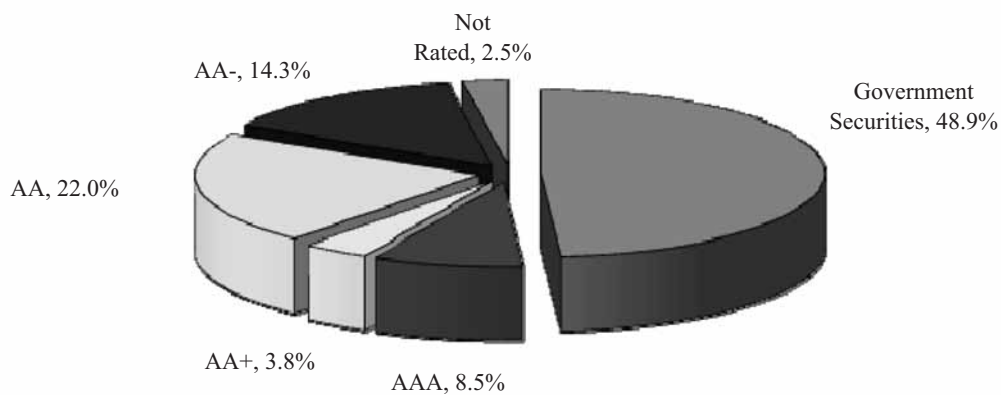
## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2016

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



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



Mr. Usama Iqbal  
Fund Manager

Karachi: August 05, 2016

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

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office:

CDC House, 99-B, Block 'B',  
S.M.C.H.S. Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
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## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN INCOME FUND

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

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

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited  
Karachi: September 9, 2016



# STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED 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 Income Fund ("the fund") to comply with the Code of Corporate Governance contained in clause no. # 5.19.23 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

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

On behalf of the Board



**Muhammad Saqib Saleem**  
Chief Executive Officer

Karachi: August 05, 2016

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

# Deloitte.

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

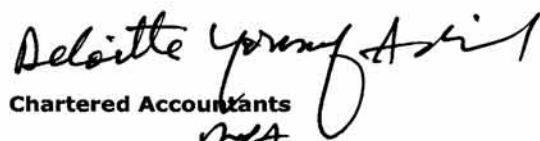
We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company (the Company) of **Pakistan Income Fund (the Fund)** for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

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2016.

  
Chartered Accountants  
Date: 05 AUG 2016  
Karachi

Member of  
Deloitte Touche Tohmatsu Limited



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

# Deloitte.

**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
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## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2016, and the income statement, statement of other comprehensive income, distribution statement, statement of movements in unit holder's fund, cash flow statement and a summary of significant accounting policies together and other explanatory notes.

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

Management Company 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 auditor's 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 approved accounting standards as applicable in Pakistan.

#### Report On Other Legal and Regulatory Requirements

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

  
Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

Date: August 05, 2016  
Karachi

Member of  
Deloitte Touche Tohmatsu Limited



# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>ASSETS</b>			
Balances with banks	5	286,385	226,662
Investments	6	781,941	924,942
Profit receivable	7	18,115	15,932
Advance, deposits and prepayments	8	8,373	8,580
<b>Total assets</b>		<b>1,094,814</b>	<b>1,176,116</b>
<b>LIABILITIES</b>			
Payable to the Management Company		1,673	1,963
Payable to the Central Depository Company of Pakistan Limited - Trustee		169	174
Payable to the Securities and Exchange Commission of Pakistan		909	794
Payable on redemption of units		47	47
Accrued expenses and other liabilities	9	41,718	41,690
<b>Total liabilities</b>		<b>44,516</b>	<b>44,668</b>
<b>NET ASSETS</b>		<b>1,050,298</b>	<b>1,131,448</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,050,298</b>	<b>1,131,448</b>
<b>Contingencies and commitments</b>	10		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>19,592,850</b>	<b>21,181,575</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>	4.12	<b>53.61</b>	<b>53.42</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

  
 Chief Executive Officer

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

  
 Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>INCOME</b>			
Income from government securities		63,431	65,297
Income from term finance certificates		24,729	36,064
Profit on bank deposits		14,969	8,645
Capital (loss) / gain on sale of investments - net		(64)	24,988
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	6.6	1,650	4,792
(Provision) / reversal against non-performing investments - net	6.2 & 6.3	(2,895)	1,873
Other income		286	-
<b>Total income</b>		<b>102,106</b>	<b>141,659</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	11	18,181	15,876
Sales tax and Federal Excise Duty on remuneration of the Management Company		5,862	5,302
Remuneration of the Central Depository Company of Pakistan Limited - Trustee	12	1,880	1,750
Sindh sales tax on remuneration of the trustee	13	263	-
Securities and Exchange Commission of Pakistan -fee	14	909	794
Allocated expenses	15	818	-
Legal, professional and other charges		104	863
Settlement and bank charges		604	429
Fees and subscription		322	290
Auditors' remuneration	16	677	614
Printing and related costs		211	124
<b>Total expenses</b>		<b>29,831</b>	<b>26,042</b>
<b>Net income from operating activities</b>		<b>72,275</b>	<b>115,617</b>
Net element of (loss)/ income and capital (losses)/ gains included in prices of units issued less those in units redeemed			
- arising from capital gain and unrealised gain		(498)	380
- arising from other income		(12,098)	1,084
		(12,596)	1,464
Provision for Workers' Welfare Fund	9.1	-	(2,342)
<b>Net income for the year before taxation</b>		<b>59,679</b>	<b>114,739</b>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>59,679</b>	<b>114,739</b>
<b>Earnings per unit</b>	4.11	-	-

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director

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

	2016 (Rupees in '000)	2015
<b>Net income for the year after taxation</b>	<b>59,679</b>	114,739
<b>Other comprehensive income for the year</b>		
<i>Items that may be reclassified to profit and loss account</i>		
Unrealised appreciation / (diminution) in value of investments classified as available for sale - net	(183)	(1,525)
<b>Total comprehensive income for the year</b>	<b>59,496</b>	113,214

The annexed notes from 1 to 29 form an integral part of these financial statements.

  
 Chief Executive Officer

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

  
 Director

# DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016 (Rupees in '000)	2015
Undistributed income brought forward:		
- Realised gains	49,206	13,339
- Unrealised gain	24,660	26,229
	<u>73,866</u>	<u>39,568</u>
Net element of (loss) / gain and capital (losses) / gains for the year included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	(4,841)	4,453
Net income for the year	59,679	114,739
	<u>54,838</u>	<u>119,192</u>
<b>Distributions</b>		
Interim distribution for the year ended June 30, 2015 at Rs 4.50 per unit (date of distribution: June 22, 2015)	-	(84,894)
Interim distribution for the year ended June 30, 2016 at Rs 3.10 per unit (date of distribution: June 27, 2016)	(56,368)	-
	<u>(56,368)</u>	<u>(84,894)</u>
<b>Undistributed income carried forward</b>	<u>72,335</u>	<u>73,866</u>
<b>Represented by</b>		
- Realised gains	39,886	49,206
- Unrealised gains	32,449	24,660
	<u>72,335</u>	<u>73,866</u>

The annexed notes from 1 to 29 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	1,131,448	1,007,818
Issue of 13,513,361 units (2015: 9,950,843 units) <i>(including 878,649 units (2015: 1,400,182) reinvested by the unitholders against their dividend entitlement amounting to Rs. 47.15 million (2015: 74.77 million) - net of tax)</i>	727,268 (824,142) (96,874)	550,654 (453,880) 96,774
Redemption of 15,102,086 units (2015: 8,133,703 units)		
Net element of loss/ (income) and capital losses/ (gains) included in prices of units issued less those in units redeemed		
- amount representing loss/ (income) and capital losses/ (gains) transferred to the Income Statement		
- arising from capital gain and unrealised gain	498	(380)
- arising from other income	12,098	(1,084)
- amount representing loss/ (income) that form part of unit holders' fund - transferred to the Distribution Statement	4,841	(4,453)
	17,437	(5,917)
Net income for the year transferred from the Distribution Statement		
Capital (loss) / gain on sale of investments	(64)	24,988
Unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss' - net	1,650	4,792
Other net operating income	58,093	84,959
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - amount representing unrealised income	(4,841)	4,453
	54,838	119,192
Distributions made during the year (refer Distribution Statement)	(56,368)	(84,894)
Unrealised diminution on re-measurement of investment classified as 'available for sale' - net	(183)	(1,525)
<b>Net assets at end of the year</b>	<b>1,050,298</b>	<b>1,131,448</b>
	(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>19,592,850</b>	<b>21,181,575</b>
	(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>	<b>53.61</b>	<b>53.42</b>

The annexed notes from 1 to 29 form an integral part of these financial statements.

  
Chief Executive Officer

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

  
Director

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

	Note	2016 (Rupees in '000)	2015
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		59,679	114,739
<b>Adjustments for</b>			
Unrealised appreciation in value of investments classified as at fair value through profit or loss - net		(1,650)	(4,792)
Net element of loss/ (income) and capital losses/ (gains) included in prices of units issued less those in units redeemed			
- Arising from capital gain and unrealised gain		498	(380)
- Arising from other income		12,098	(1,084)
Provision for Worker's Welfare Fund		-	2,342
Provision / (reversal) against non-performing investments - net		2,895	(1,873)
		<u>73,520</u>	<u>108,952</u>
<b>(Increase) / decrease in assets</b>			
Investments - net		141,573	(216,775)
Profit receivable		(2,183)	13,534
Advance, deposit and prepayments		207	33,463
		<u>139,597</u>	<u>(169,778)</u>
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		(290)	332
Payable to the Central Depository Company of Pakistan Limited - Trustee		(5)	7
Payable to the Securities and Exchange Commission of Pakistan		115	37
Accrued expenses and other liabilities		28	11,987
		<u>(152)</u>	<u>12,363</u>
<b>Net cash generated from / (used in) operating activities</b>	<b>A</b>	<u><b>212,965</b></u>	<u><b>(48,463)</b></u>
<b>B. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(56,368)	(84,894)
Cash received from sale of units		727,268	550,654
Cash paid for redemption of units		(824,142)	(453,880)
<b>Net cash (used in) / generated from financing activities</b>	<b>B</b>	<u><b>(153,242)</b></u>	<u><b>11,880</b></u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	<b>(A+B)</b>	<u><b>59,723</b></u>	<u><b>(36,583)</b></u>
Cash and cash equivalents at beginning of the year		<u>226,662</u>	<u>263,245</u>
<b>Cash and cash equivalents at end of the year</b>	<b>19</b>	<u><b>286,385</b></u>	<u><b>226,662</b></u>

The annexed notes from 1 to 29 form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director

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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Income Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Security and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor ,Centre Point , Off Shaheed-e-Millat Expressway, near KPT Interchange, Karachi, Pakistan.
- 1.3 The Fund is an open-ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on Pakistan Stock Exchange (PSX), formerly Karachi Stock Exchange.
- 1.4 The Fund primarily invests in money market and other short term instruments which includes short term corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the Fund in medium term assets in order to provide higher return to the unit holders.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated June 8, 2016 to the Management Company and "A+(f)" as stability rating dated December 31, 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 approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the 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), and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.
- 2.2 **New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016**

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

### *Standards / amendments / interpretations*

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

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



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

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

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

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 area where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (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. SUMMARY OF ACCOUNTING POLICIES

The principal 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 assets in the following categories:

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

### 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 or a derivative.

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

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

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

### *Measurement*

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial instrument not 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 until derecognised or impaired, when the accumulated adjustments recognised in Other Comprehensive Income 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 the Board of Directors of the Management Company.

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

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## *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 derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the other comprehensive income is transferred to the Income Statement.

## **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 amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. 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.

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 asset 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 asset 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 recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. 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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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### 4.8 Provisions

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

### 4.9 Other assets

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

### 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 unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. 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 realized 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 Unit holders' fund

Unit holders' fund 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 the 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 recognised on a time proportion basis using effective interest rate method.
- Markup on government securities is recognised on an time proportion basis
- Unrealised gains / (losses) arising on remeasurement 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.
- Profit on bank deposits and term deposit receipts 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 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 and Exchange Commission of Pakistan fee and allocated expense are recognised in the Income Statement on accrual basis.

## 4.18 Dividend distribution and appropriation

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are 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
<b>5. BALANCES WITH BANKS</b>			
In saving deposit accounts	5.1	286,385	126,662
In term deposit accounts		-	100,000
		<u>286,385</u>	<u>226,662</u>

5.1 These carry mark-up at rates ranging between 3.75% to 7.25% per annum (2015: 4.5% to 10.35% per annum).

## 6. INVESTMENTS

### *At fair value through profit or loss*

Government securities	6.1	236,630	525,956
Listed debt securities	6.2	226,233	109,271
Unlisted debt securities	6.3	22,824	132,041

### *Available for sale*

Government securities	6.4	296,254	157,674
		<u>781,941</u>	<u>924,942</u>

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

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

Name of investee company	Face value				Balance as at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the year	Disposed off during the year	Matured during the year	As at June 30, 2016	Carrying value	Market value		
								%	%
Treasury Bills - 3 months	337,500	653,500	587,500	403,500	-	-	-	-	-
Treasury Bills - 6 months	150,000	975,000	715,000	360,000	50,000	48,837	48,851	5	6
Treasury Bills - 12 months	-	1,625,000	945,000	485,000	195,000	187,610	187,779	18	24
Pakistan Investment Bonds - 10 years	37,500	-	37,500	-	-	-	-	-	-
<b>As at June 30, 2016</b>	<b>525,000</b>	<b>3,253,500</b>	<b>2,285,000</b>	<b>1,248,500</b>	<b>245,000</b>	<b>236,447</b>	<b>236,630</b>	<b>23</b>	<b>30</b>
<b>As at June 30, 2015</b>	<b>300,000</b>	<b>2,692,000</b>	<b>1,503,700</b>	<b>963,300</b>	<b>525,000</b>	<b>522,455</b>	<b>525,956</b>	<b>47</b>	<b>57</b>

## 6.2 Listed debt securities

	Note	2016 (Rupees in '000)	2015 (Rupees in '000)
Market value as at June 30	6.2.1	322,606	202,246
Provision on July 1			
Pace Pakistan Limited		43,144	39,746
Telecard Limited		31,088	32,961
Trust Investment Bank Limited - III		18,743	18,743
		92,975	91,450
Add: Provision charged during the year			
Pace Pakistan Limited		(6,586)	(6,586)
- Reversal against carrying value matured		9,984	9,984
- Charge against face value receivable		3,398	3,398
Less: Reversal during the year		-	1,873
Telecard Limited			
Provision on June 30		96,373	92,975
Book value as at June 30		226,233	109,271

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

## 6.2.1 Listed 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				Balance as at June 30, 2016			**Market value as a percentage of net assets	**Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the year	Matured during the year	Disposed off during the year	As at June 30, 2016	Carrying value*	Market value		
						Appreciation / (diminution)			
-----Rupees in '000-----									
<b>Commercial banks</b>									%
Askari Bank Limited (23-12-11 issue)***	42	-	-	5	37	37,266	37,487	221	0.04
Bank Al Falah Limited (20-02-13 issue)	13,381	-	-	-	13,381	66,925	68,264	1,339	6.50
Askari Bank Limited (30-09-14 issue)	-	5,000	-	-	5,000	25,172	25,485	313	2.43
Habib Bank Limited (19-02-16 issue)***	-	500	-	-	500	50,000	50,008	8	4.76
Bank Al-Habib Limited (17-03-16 issue)	-	9,000	-	-	9,000	45,000	44,989	(11)	4.28
<b>Financial services</b>									
Trust Investment Bank (04-07-08 issue)	-	-	-	-	-	18,743	18,743	-	-
- Due but not received									
<b>Real state investment and services</b>									
Pace Pakistan Limited (15-02-08 issue)	10,000	-	-	-	10,000	6,586	6,586	-	-
- Redeemable amount						39,956	39,956	-	-
- Due but not received						46,542	46,542	-	-
<b>Fixed line telecommunication</b>									
Telecard Limited (27-05-05 issue)	-	-	-	-	-	31,088	31,088	-	-
- Due but not received									
<b>As at June 30, 2016</b>	<b>23,423</b>	<b>14,500</b>	<b>-</b>	<b>5</b>	<b>37,918</b>	<b>320,736</b>	<b>322,606</b>	<b>1,870</b>	<b>24.14</b>
As at June 30, 2015	87,546	-	53,123	11,000	23,423	204,821	202,246	(2,575)	11.81

\* Carrying value before provision - Provision detail are specified in note 6.2.

\*\* Market value after provision - Provision detail is specified in note 6.2.

\*\*\* These certificates have a face value of Rs. 1 million and Rs. 1 hundred thousand respectively.

## 6.3 Unlisted debt securities - Term Finance Certificates and other securities

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of Certificates				Balance as at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 1, 2015	Purchased during the year	Matured during the year	Disposed off during the year	As at June 30, 2016	Carrying value	Market value			Appreciation / (diminution)
-----Rupees in '000-----										
Bank Al-Habib Limited. - TFC-4 (30-06-11) Fixed	1,000	-	1,000	-	-	-	-	-	-	
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	23,227	22,824	(403)	2.92	
Engro Fertilizer Limited - ppTFC-1 (18-03-08)	20,100	-	-	20,100	-	-	-	-	-	
Maple Leaf Cement Factory Limited - Sukak (03-12-07)	500	-	500	-	-	-	-	-	-	
As at June 30, 2016	26,100	-	1,500	20,100	4,500	23,227	22,824	(403)	2.92	
As at June 30, 2015	26,100	-	-	-	26,100	128,174	132,041	3,867	14.28	



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

## 6.4 Government securities - available for sale

Name of investee company	Face Value					Balance as at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2015	Purchased during the year	Disposed during the year	Matured during the year	As at June 30, 2016	Carrying value	Market value	Appreciation / (diminution)		
									%	%
Pakistan Investment Bonds-03 years	42,500	431,500	280,000	-	194,000	199,577	197,308	(2,269)	18.79	25.23
Pakistan Investment Bonds-05 years	-	787,500	763,000	-	24,500	27,924	28,140	216	2.68	3.60
Pakistan Investment Bonds -10 years	107,400	50,000	100,000	-	57,400	70,354	70,806	452	6.74	9.06
<b>As at June 30, 2016</b>	<b>149,900</b>	<b>1,269,000</b>	<b>1,143,000</b>	<b>-</b>	<b>275,900</b>	<b>297,855</b>	<b>296,254</b>	<b>(1,601)</b>	<b>28.21</b>	<b>37.89</b>
As at June 30, 2015	67,500	207,400	125,000	-	149,900	159,092	157,674	(1,418)	13.94	17.05

## 6.5 Significant terms and conditions of Term Finance Certificates and other securities outstanding at the year end are as follows:

Name of security	Number of certificates	Face Value	Unredeemed Face value / Redemption value	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
-----Rupees in '000'-----							
<b>Listed debt securities</b>							
Askari Bank Limited (23-12-11)	37	1,000,000	998,200	6 months KIBOR + 1.75%	December 23, 2021	Unsecured	AA
Askari Bank Limited (30-09-14)	5,000	5,000	4,997	6 months KIBOR + 1.20%	September 30, 2024	Unsecured	AA-
Habib Bank Limited (19-02-16)	500	100,000	100,000	6 months KIBOR + 0.50%	February 19, 2026	Unsecured	AAA
Bank Al-Habib Limited (17-03-16)	9,000	5,000	5,000	6 months KIBOR + 0.75%	March 17, 2026	Unsecured	AA
Bank Al Falah Limited (20-02-13)	13,381	5,000	4,994	6 months KIBOR + 1.25%	February 20, 2021	Unsecured	AA-
Pace Pakistan Limited (15-02-08)	10,000	5,000	998	6 months KIBOR + 2%	February 15, 2017	Secured	Non-Rated
<b>Unlisted debt securities</b>							
Bank Al-Falah Limited - TFC4 (02-12-09) Floating	4,500	5,000	4,987	6 months KIBOR + 2.5%	December 02, 2017	Unsecured	AA-

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

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

	Note	2016 (Rupees in '000)	2015
<b>6.6 Net unrealised appreciation on re-measurement of investments at fair value through profit or loss</b>			
Market value of investments	6.1, 6.2.1, 6.3.1	<b>582,060</b>	767,268
Carrying value of investments	6.1, 6.2.1, 6.3.1	<b>580,410</b>	762,476
		<b>1,650</b>	4,792
<b>6.7 Unrealized (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale' - net</b>			
Market value of investments		<b>296,254</b>	157,674
Cost of investments		<b>297,855</b>	159,092
		<b>(1,601)</b>	(1,418)
Less: Net unrealized appreciation in value of investments classified as 'available for sale' at beginning of the period		<b>(1,418)</b>	107
		<b>(183)</b>	(1,525)
<b>7. PROFIT RECEIVABLE</b>			
Profit / income accrued on:			
Term finance and sukuk certificates		<b>4,724</b>	5,554
Government securities		<b>12,788</b>	8,488
Bank deposits		<b>603</b>	1,890
		<b>18,115</b>	15,932
<b>8. ADVANCE, DEPOSITS AND PREPAYMENTS</b>			
Advance tax		<b>4,084</b>	4,302
Deposits with:			
- National Clearing Company of Pakistan Limited	8.1	<b>2,500</b>	2,500
- Central Depository Company of Pakistan Limited	8.2	<b>200</b>	200
Margin against term finance certificates	8.3	<b>1,353</b>	1,353
Prepayments		<b>236</b>	225
		<b>8,373</b>	8,580
8.1 This represents deposit in respect of Bond Automated Trading System (BATS).			
8.2 This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.			
8.3 This represents the margin 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 SECP.			

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

	Note	2016 (Rupees in '000)	2015
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	9.1	24,327	24,327
Provision for Federal excise duty and related tax on	9.2		
-management fee		9,210	5,790
-sales load		239	185
Legal and professional charges		60	-
Withholding tax on dividend and capital gains		6,474	10,208
Auditors' remuneration		461	399
Brokerage		77	57
Zakat		165	165
Others		705	559
		<b>41,718</b>	<b>41,690</b>

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

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 prudence, has decided to charge the entire provision for WWF in these financial statements.

Furthermore, in the Finance Act 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 1, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 24.33 million in these financial statements pertaining to period July 1, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs.Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Rs. 1.24 per unit as at June 30, 2016.

### 9.2 Provision for Federal excise duty and related tax

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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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

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

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

In view of the pending decision and as a matter of 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. 9.5 million (2015: Rs. 5.98 million).

### 10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2016 and June 30, 2015 except as disclosed in note 17.2.

	Note	2016 (Rupees in '000)	2015
<b>11. REMUNERATION OF MANAGEMENT COMPANY</b>			
Management fee	13.1	<u>18,181</u>	<u>15,876</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 1.50% (2015: 1.50%) 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
<b>12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	14.1	<u>1,880</u>	<u>1,750</u>

12.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The following tariff structure as amended by the Trustee of the Fund vide Trust deed dated May 18, 2015, is applicable based on net assets of the Fund.

Amount of funds under management (Average NAV)	Tariff per annum
Up to Rs. 1 billion	0.17% p.a. of Net Assets
Rs. 1 billion to Rs. 5 billion	Rs. 1.7 million plus 0.085% p.a. of Net Assets exceeding Rs. 1 billion
Over Rs. 5 billion	Rs. 5.1 million plus 0.07% p.a. of Net Assets exceeding Rs. 5 billion

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of the Sindh Sales Tax. 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. 0.26 million on account of Sindh Sales Tax on custodianship services.

**2016**                      **2015**  
(Rupees in '000)

### 14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE

Annual fee	<b>909</b>	794
------------	------------	-----

**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 0.075 percent of the average annual net assets of the Fund.

**Note**                      **2016**                      **2015**  
(Rupees in '000)

### 15. ALLOCATED EXPENSES

Reimbursement of fees and expenses	15.1	718	-
Sales tax on allocated expenses		<b>100</b>	-
		<b>818</b>	-

**15.1** The SECP via its SRO 1160 dated November 25, 2015 has amended Clause 60 of NBFC Regulations, 2008. The said clause has 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. 0.72 million since November 27, 2015 at the maximum rate of 0.1% of average annual net assets which is less than actual expense allocable to the Fund.

**2016**                      **2015**  
(Rupees in '000)

### 16. AUDITORS' REMUNERATION

Annual audit fee	309	280
Half yearly review fee	176	160
Other certifications	110	100
Out of pocket expenses	<b>82</b>	74
	<b>677</b>	614

### 17. TAXATION

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

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

**17.2** The income tax returns till the tax year 2015 have been filed and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) except for tax years 2008 and 2012 for which assessment order under section 122(5A) of the Ordinance has been received that the Fund is not entitled to the exemption from income tax on the basis that the distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. This issue has also been raised by the department in other mutual funds. The Fund filed a petition in the Sindh High Court (SHC) against the demands raised in this respect and has obtained a stay order against the payment of tax demand. Other Mutual Funds are also contesting the same at different appellate forums of Federal Board of Revenue. The Commissioner Inland Revenue (Appeals), in case of certain mutual funds including this Fund has also given decision in favour of these funds wherein the earlier notices served by Tax authorities have been annulled. The management, based on the tax advice obtained by Mutual Funds Association of Pakistan from various tax advisors, is confident that the case would ultimately be decided in favor of the Fund and therefore no provision is required to be made in these financial statements.

## **18. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

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

Category of non-compliant investment	Type of investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----			: ----- % -----	

Investment in debt securities	a) Trust Investment Bank Limited (note 6.2.1)	18,743	18,743	-	1.78	1.71
Investment in debt securities	b) Telecard Limited (note 6.2.1)	31,088	31,088	-	2.96	2.84
Investment in debt securities	c) Pace Pakistan Limited (note 6.2.1)	46,542	46,542	-	4.43	4.25

**2016**                      **2015**  
**(Rupees in '000)**

## **19. CASH AND CASH EQUIVALENTS**

Balances with banks

In saving deposit accounts

In term deposit accounts

**286,385**                      126,662

**-**                                      100,000

**286,385**                      **226,662**

## **20. TRANSACTIONS WITH CONNECTED PERSONS**

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

The transactions with connected persons are in the normal course of business and at contracted rates.

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

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

	2016	2015
	(Rupees in '000)	
<b>20.1 Details of transactions with connected persons are as follows:</b>		
<b>MCB - Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration including indirect taxes	24,043	21,178
Reimbursement of Sindh sales tax registration charges	-	8
Allocated expenses including indirect taxes	818	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes	2,143	1,750
CDS charges	7	-
<b>MCB Bank Limited</b>		
Profit on Bank deposits	678	898
Bank charges	21	17
Purchase of securities face value 50,000,000 (2015: Nil)	52,444	
Sale of securities face value 12,500,000 (2015: Nil)	13,281	-
<b>Summit Bank Limited</b>		
Purchase of securities face value Nil (2015: 150,000,000)	-	148,470
<b>Arif Habib Limited</b>		
Brokerage*	1	1
<b>Next Capital Limited</b>		
Brokerage*	28	8
<b>Summit Capital Private Limited</b>		
Brokerage*	2	2
<b>Adamjee Life Assurance Company Limited</b>		
Redemption of Nil units (2015: 687,445 units)	-	39,817
<b>Adamjee Life Assurance Company Limited - Employees gratuity fund</b>		
Issue of Nil units (2015: 19,488 units)	-	81
<b>Fauji Cement Company Limited **</b>		
Issue of 4,087,073 units (2015: Nil units)	225,000	-
Redemption of 4,087,073 units (2015: Nil units)	228,400	-
<b>Mandate under discretionary portfolio</b>		
Redemption of Nil units (2015: 117,464 units)	-	6,585
Dividend paid	-	2
<b>Directors and Executives of the Management Company</b>		
Issue of 386 units (2015: 49 units)	22	3
Redemption of 6,740 units (2015: Nil units)	364	-
Dividend paid	1	

\*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.

\*\*This represents those parties that became connected / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

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

	2016	2015
	(Rupees in '000)	
<b>20.2 Amounts outstanding as at year end</b>		
<b>MCB - Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration payable	1,384	1,439
Sales tax payable on management fee	194	320
Legal and professional charges payable	-	100
Sales load payable	2	90
Sindh sales tax payable on sales load	239	14
Allocated expenses payable	93	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	148	152
Sales tax payable on trustee fee	21	-
CDS charges payable	-	22
Security deposits	200	200
<b>MCB Bank Limited</b>		
Bank balance	40,268	90,801
Profit receivable on bank deposits	29	154
<b>Arif Habib Limited</b>		
Brokerage	-	1
<b>Next Capital Limited</b>		
Brokerage	-	2
<b>Adamjee Life Assurance Company Limited - Employees gratuity fund</b>		
Nil units held (2015: 19,488 units )	-	1,041
<b>Directors and Executives of the Management Company</b>		
1,080 units held (2015: 7433 units)	58	48

## 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & ACCA	18 years
Mr. Muhammad Asim	Asset class specialist - Equities	MBA & CFA	13 years
Mr. Awais Aabdul Sattar	Senior Research Analyst	MBA & CFA	5 years
Mr. Saad Ahmed	Asset class specialist - Fixed income	MBA	10 years
Mr. Syed Muhammad Usama Iqbal	Fund Manager - Fixed Income Fund	B.Com	9 years



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

**21.1** Syed Muhammad Usama Iqbal is the fund manager. Details of the other fund managed by fund manager are as follows:

- MCB Islamic Income Fund

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

	<b>2016 (Percentage)</b>
1 Invest Capital Markets Limited	35.25
2 JS Global Capital Limited	14.64
3 Invest and Finance Securities Limited	10.72
4 Next Capital Limited	9.35
5 Icon Securities Private Limited	7.95
6 BMA Capital Management Limited	6.74
7 Elixir Securities Pakistan Private Limited	4.14
8 Magenta Capital Limited	3.23
9 Vector Capital Pvt Limited	1.78
10 Optimus Market Private Limited	1.68
11 C & M Management (Private) Limited	1.68

	<b>2015 (Percentage)</b>
1 Invest Capital Markets Limited	63.67
2 Invest One Markets (Private) Limited	11.45
3 Next Capital Limited	5.62
4 KASB Securities Limited	5.59
5 Vector Capital Pvt Limited	5.39
6 Currency Market Associates (Private) Limited	3.73
7 Magenta Capital Limited	2.08
8 Summit Capital (Private) Limited	1.45
9 Arif Habib Limited	0.69
10 C & M Management (Private) Limited	0.33

## **23. PATTERN OF UNIT HOLDINGS**

	<b>As at June 30, 2016</b>			
	<b>Number of unit holders</b>	<b>Number of units</b>	<b>Investment amount (Rupees in '000')</b>	<b>Percentage investment %</b>
Individuals	817	7,327,373	392,793	37.40
Director	1	22,227	1,191	0.11
Insurance companies	9	4,019,419	215,466	20.51
Retirement funds	2	1,794,664	96,205	9.16
Others	71	6,429,168	344,643	32.81
	<b>900</b>	<b>19,592,850</b>	<b>1,050,298</b>	<b>100.00</b>

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

	Number of unit holders	As at June 30, 2015		
		Number of units	Investment amount	Percentage investment
		(Rupees in '000')		%
Individuals	823	8,709,728	465,244	41.12
Director	1	50,170	2,680	0.24
Insurance companies	9	3,887,485	207,656	18.35
Retirement funds	48	6,350,518	339,224	29.98
Others	22	2,183,674	116,644	10.31
	903	21,181,575	1,131,448	100.00

## 24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

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

## 25. FINANCIAL RISK MANAGEMENT

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

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

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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 primarily invests in a portfolio of money market investments such as investment grade debt securities, government securities and investments in other money market instruments.

### **25.1 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 other price risk.

#### **25.1.1 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.

#### **25.1.2 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds fixed as well as floating rate debt securities that expose the Fund to cash flow and fair value interest rate risk due to fluctuation in prevailing levels of market interest rates.

As at June 30, 2016, the investment in debt securities exposed to interest rate is detailed in Note 6.5 to these financial statements.

##### **a) Sensitivity analysis for variable rate instruments**

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates and sukuks, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 2.48 million (2015: Rs. 0.30 million).

##### **b) Sensitivity analysis for fixed rate instruments**

As at June 30, 2015, the Fund holds government securities which are classified as at fair value through profit or loss and available-for-sale exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2016 with all other variables held constant, the net income for the year and net assets would be lowered by Rs. 6.01 million (2015: Rs 0.153 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2016, with all other variables held constant, the net income for the year and net assets would be higher by Rs. 6.24 million (2015: Rs 0.153 million).

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

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

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

----- June 30, 2016 -----						
	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk	Total
----- Rupees in '000' -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Balances with banks	3.75% to 7.25%	286,385	-	-	-	286,385
Investments						
at fair value through ' profit and loss - net						
- Government securities		-	236,630	-	-	236,630
- Listed debt securities	6.86% to 10.51%	-	-	226,233	-	226,233
- Unlisted debt securities	7.35% to 15%	-	22,824	-	-	22,824
Available for sale						
- Government securities	7% to 12%	130,329	-	165,925	-	296,254
		130,329	259,454	392,158	-	781,941
Profit receivable		-	-	-	18,115	18,115
Security deposits		-	-	-	4,053	4,053
		<b>416,714</b>	<b>259,454</b>	<b>392,158</b>	<b>22,168</b>	<b>1,090,494</b>
----- June 30, 2016 -----						
	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk	Total
----- Rupees in '000' -----						
<b>Financial Liabilities</b>						
Payable to the Management Company		-	-	-	1,673	1,673
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	169	169
Accrued expenses and other liabilities		-	-	-	1,303	1,303
		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,145</b>	<b>3,145</b>
<b>On-balance sheet gap</b>		<b>416,714</b>	<b>259,454</b>	<b>392,158</b>	<b>19,023</b>	<b>1,087,349</b>
<b>Off-balance sheet financial instruments</b>						
		-	-	-	-	-

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

		June 30, 2015				
	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk	Total
----- Rupees in '000' -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	4.5% to 10.35%	226,662	-	-	-	226,662
Investments						
at fair value through ' profit and loss - net						
- Government securities	12%	484,082	-	41,874	-	525,956
- Listed debt securities	9.72% to 11.92%	-	-	109,271	-	109,271
- Unlisted debt securities	8.43% to 15%	-	-	132,041	-	132,041
Available for sale						
- Government securities	9.75% to 11.25%	-	-	157,674	-	157,674
		484,082	-	440,860	-	924,942
Profit receivable		-	-	-	15,932	15,932
Security deposits		-	-	-	4,053	4,053
		710,744	-	440,860	19,985	1,171,589
Financial Liabilities						
Payable to the management company		-	-	-	1,859	1,859
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	-
		-	-	-	174	174
Accrued expenses and other liabilities		-	-	-	931	931
		-	-	-	2,964	2,964
On-balance sheet gap		710,744	-	440,860	17,021	1,168,625
Off-balance sheet financial instruments						
		-	-	-	-	-

## 25.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The fund is exposed to Price risk because of Term Finance Certificates (TFCs) held by it and classified at 'Fair value through Profit and Loss'.

In case of a 1% increase / decrease in effective yield as on June 30, 2016, the net assets of the Fund would increase / decrease by Rs. 2.49 million (2015: Rs. 2.41 million).

## 25.2 Credit risk

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

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

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

The Fund's maximum exposure to credit risk related to receivables is the carrying amounts of following financial assets.

	2016	2015
	(Rupees in '000')	
Balances with banks	286,385	226,662
Investments	781,941	924,942
Profit receivable	18,115	15,932
Security deposits	4,053	4,053
	<u>1,090,494</u>	<u>1,171,589</u>

The analysis below summaries the credit rating quality of the Fund's financial assets.

### Bank Balances by rating category

	2016	2015
	----- % -----	
AAA / A1+	14.89	72.23
AA+ / A1+	14.98	0.79
AA / A1+	69.59	13.05
AA- / A1+	0.54	13.92
A / A1	0.00	0.01
	<u>100.00</u>	<u>100.00</u>

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates and sukuku, term deposit receipts and government securities.

### Investments by rating category

	2016	2015
	----- % -----	
Government Securities	68.15	73.91
AAA, AAA-, AAA+	6.40	-
AA, AA-, AA+	25.46	25.99
A, A-, A+	-	0.10
BBB	-	-
Non - performing, Unrated	-	-
	<u>100.00</u>	<u>100.00</u>

### 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.

## Concentration of credit risk

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

## Settlement risk

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

## 25.3 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 avail any borrowing. As per 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.

	June 30, 2016			Total
	Up to three months	More than three months and up to one year	More than one year	
	------(Rupees in'000')-----			
Payable to the Management Company	1,673	-	-	1,673
Payable to the Central Depository Company of Pakistan Limited - Trustee	169	-	-	169
Payable on redemption of units	47	-	-	47
Accrued expenses and other liabilities	16,395	-	-	16,395
	<u>18,284</u>	<u>-</u>	<u>-</u>	<u>18,284</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2016

### 25.4 Financial instruments by category

	June 30, 2015			Total
	Up to three months	More than three months and up to one year	More than one year	
	----- (Rupees in '000') -----			
Payable to the Management Company	1,859	-	-	1,859
Payable to the Central Depository Company of Pakistan Limited - Trustee	174	-	-	174
Payable on redemption of units	47	-	-	47
Accrued expenses and other liabilities	16,824	-	-	16,824
	<u>18,904</u>	<u>-</u>	<u>-</u>	<u>18,904</u>

	June 30, 2016			Total
	Loans and receivables	Assets classified as Available for sale	Assets classified at fair value through	
	----- (Rupees in '000') -----			
<b>Financial Assets</b>				
Balances with banks	286,385	-	-	286,385
Investments	-	296,254	-	296,254
Profit receivable	18,115	-	-	18,115
Security deposits	4,053	-	-	4,053
	<u>308,553</u>	<u>296,254</u>	<u>-</u>	<u>604,807</u>

	June 30, 2016			Total
	Liabilities at fair value through profit and	Other financial liabilities		
	----- (Rupees in '000') -----			
<b>Financial Liabilities</b>				
Payable to the Management Company	-	1,673		1,673
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	169		169
Payable against redemption of units	-	47		47
Accrued expenses and other liabilities	-	16,395		16,395
	<u>-</u>	<u>18,284</u>		<u>18,284</u>

	June 30, 2015			Total
	Loans and receivables	Assets classified as Available for sale	Assets classified at fair value through	
	----- (Rupees in '000') -----			
<b>Financial Assets</b>				
Balances with banks	226,662	-	-	226,662
Investments	-	157,674	767,268	924,942
Profit receivable	15,932	-	-	15,932
Security deposits	4,053	-	-	4,053
	<u>246,647</u>	<u>157,674</u>	<u>767,268</u>	<u>1,171,589</u>

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

	June 30, 2015		
	Liabilities at fair value through profit and loss	Other financial liabilities	Total
	----- (Rupees in '000') -----		
<b>Financial Liabilities</b>			
Payable to Management Company	-	1,859	1,859
Payable to Central Depository Company of Pakistan Limited- Trustee	-	174	174
Payable against redemption of units	-	47	47
Accrued expenses and other liabilities	-	16,824	16,824
	<u>-</u>	<u>18,904</u>	<u>18,904</u>

## 25.5 Fair value of financial instruments

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

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

Financial assets which are tradable 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 (that is, as prices) or indirectly (that is, derived from prices).

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>ASSETS</b>				
Investments classified as fair value through profit and loss	226,233	259,454	-	485,687
Investments classified as available for sale	-	296,254	-	296,254
	<u>226,233</u>	<u>555,708</u>	<u>-</u>	<u>781,941</u>

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

	As at June 30, 2015			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
<b>ASSETS</b>				
Investments classified as fair value through profit and loss	109,271	657,997	-	767,268
Investments classified as available for sale	-	157,674	-	157,674
	<u>109,271</u>	<u>815,671</u>	<u>-</u>	<u>924,942</u>

## 26. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

In accordance with the risk management policies as stated in note 25, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments when necessary.

## 27. RECLASSIFICATION

Following reclassification have been made in this condensed interim financial information in order to give a better and more appropriate presentation:

	From	To	June 30, 2015 (Rupees in '000)
Sales Load Payable	Accrued expenses and other liabilities	Payable to Management Company	104
Federal excise duty and related tax	Federal excise duty and related tax	Federal excise duty payable on sale load	185
Provision against non - performing debt securities	Income from term finance and sukuk certificates	Provision against non-performing debt securities	1,699

## 28. GENERAL

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

## 29. DATE OF AUTHORIZATION FOR ISSUE

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

  
Chief Executive Officer

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

  
Director

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

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties	-	-
Mutual Funds	-	-
Directors and their spuse (s) and minor children		
Executives	2	1080
Public sector companies and corporations	6	489,383
Banks, Development Finance Institutios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	88	11,126,597
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	804	7,975,790.58
	<b>900</b>	<b>19,592,850</b>

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

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No. of Unit Holder	Unit holdings	Total Units Held
714	1-10000	1,059,106
147	10001-100000	4,865,662
36	100001-1000000	9,444,375
3	1000001 onwards	4,223,707
<u>900</u>		<u>19,592,850</u>

## PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	1,050	1,131	1,008	1,092
Net Assets value per unit – Rupees	53.61	53.42	52.04	53.16
Closing Offer Price	55.07	54.88	53.48	54.63
Closing Repurchase Price	53.61	53.42	52.04	53.16
Highest offer price per unit	58.30	59.73	54.58	54.62
Lowest offer price per unit	54.90	53.49	53.27	52.63
Highest Redemption price per unit	56.80	58.14	53.11	53.16
Lowest Redemption price per unit	53.50	52.06	51.84	15.92
Distribution per unit – Rs. *	3.10	4.50	6.15	2.51
<b>Average Annual Return - %</b>				
One year	6.14	11.31	8.13	7.16
Two year	8.73	9.72	7.64	7.16
Three year	8.53	8.87	7.64	7.16
Net Income for the year – Rs. in million	59.68	114.74	78.16	83.83
Distribution made during the year – Rs. in million	56.37	84.89	77.22	61.00
Accumulated Capital Growth – Rs. in million	3.31	29.85	0.83	22.83
Weighted average Portfolio Duration ( years )	2.3	2.10	2.20	2.40

### \* Date of Distribution

2016	
Date	Rate
June 27, 2016	3.1

2015	
Date	Rate
June 22, 2015	4.50

2014	
Date	Rate
July 4, 2013	1.16
September 27, 2013	0.86
December 26, 2013	1.93
March 27, 2014	1.11
June 27, 2014	1.09

2013	
Date	Rate
September 27, 2012	1.05
December 26, 2012	0.75
March 26, 2013	0.71

### Disclaimer

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



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