



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT | 2017

Annual Report for Funds Under Management of
MCB-Arif Habib Savings and Investments Limited



MCB DCF INCOME FUND

TABLE OF CONTENTS

1.	Fund's Information	05
2.	Report of the Directors of the Management Company	06
3.	Report of the Fund Manager	16
4.	Trustee Report to the Unit Holders	18
5.	Statement of Compliance with the Code of Corporate Governance	19
6.	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	21
7.	Independent Auditor's Report to the Unit Holders	22
8.	Statement of Assets and Liabilities	24
9.	Income Statement	25
10.	Statement of Other Comprehensive Income	26
11.	Distribution Statement	27
12.	Statement of Movement in Unit Holder's Fund	28
13.	Cash Flow Statement	29
14.	Notes to and Forming Part of the Financial Statements	30
15.	Pattern of Holding as per Requirement of Code of Corporate Governance	63
16.	Pattern of Units Holding by Size	64
17.	Performance Table	65

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Mohammad Mansha Chairman Mr. Nasim Beg Vice Chairman Mr. Muhammad Saqib Saleem Chief Executive Officer Dr. Syed Salman Ali Shah Director Mr. Haroun Rashid Director Mr. Ahmed Jahangir Director Mr. Samad A. Habib Director Mr. Mirza Qamar Beg Director	
Audit Committee	Mr. Haroun Rashid Chairman Mr. Ahmed Jahangir Member Mr. Mirza Qamar Beg Member Mr. Nasim Beg Member	
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Chairman Mr. Nasim Beg Member Mr. Haroun Rashid Member Mr. Ahmed Jahangir Member Mr. Muhammad Saqib Saleem Member	
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer & Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdepakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited NIB Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB DCF Income Fund accounts** review for the year ended June 30, 2017.

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy achieved its decade high growth of 5.28% in FY17 which though missed the target of 5.7% but still reflects progressive movement from stabilization phase to growth trajectory. Agriculture sector remained the main stay, posting a growth of 3.50% compared to a modest of 0.26% a year back. This was well supported by Services with 6% YoY growth. On the industrial front, large scale manufacturing sector recorded growth of 5.7% for 11MFY17 with major contribution coming from consumer, construction and power segment. Auto sector recorded double digits growth as demand continued to grow and new models were introduced by local OEMs. CPEC related and other infrastructure investment continued to provide boom to construction related industries including steel and cement.

On the external front, a 17.7% rise in imports and 1.4% drop in exports widened the trade deficit to USD 26.9 billion in FY17 compared to USD 19.3 billion a year back. Major contribution in imports came from Petroleum products, which posted an increase of 21% to USD 10.6 billion, followed by Food (15% YoY rise) and Machinery (10% YoY rise). Increase in oil prices, LNG imports to fill the natural gas deficit, fast growing demand of consumer products and capital goods import for various projects guided the import bill to USD 48.5 billion in FY17.

Remittance marginally declined during FY17 to USD 19.30 billion, ~3.08% lower than last year, where major reasons can be attributed to employment situation in Middle East and slower than expected global recovery.

The above two factors (declining remittance and rising CA deficit) have started to put pressure on FX reserves, wiping out ~USD 1.72 billion since July 1, 2016 to end the year at USD 21.368 billion.

Despite a 19% YoY increase in average Arab Light prices, CPI remained subdued, posting a 4.15% YoY rise in FY17. This was mainly on account of benign growth in Food, transportation and house rent.

The government managed to contain the fiscal deficit at 4.2%, moderately higher than the set target of 3.8%. Total expenditure and total revenue both advanced by 12%YoY while fiscal balance hiked by 11%YoY. The government has set a fiscal deficit target of 4.1% in FY18.

Along with CA deficit, another point of concern is rising fiscal deficit and public and private debt to finance these increasing gaps. Pakistan's total debt stood at ~PKR 23.95 trillion (till March, 2017) reflecting an increase of ~PKR 2.33 trillion over a year.

State Bank of Pakistan in its latest monetary policy review for next two months maintained the policy rate at 5.75% for the seventh consecutive time. The policy committee remains positive based on future expected inflows due to CPEC and other projects which have kept the rupee relatively stable during the year. Ongoing political uncertainty also temporarily reflected in currency markets where on a single day, a temporary relaxation from SBP turned into a sharp depreciation of near 4% which however recovered in the following days as Finance Minister clarified and expressed the firm resolve to fight any speculative movement.

BOP deficits have caused Net Foreign Asset of the banking system to shrink from PKR 1.0 trillion at the end of FY16 to PKR 601 billion only at the end of FY17. M2 growth remains elevated (+13.7% Y/Y) owing to the government running large budget deficits, which has also led to Net Domestic Asset of the banking system to grow by 18.3% YoY. The government relied on SBP for funding with borrowings of PKR 908 billion leaving local banks with substantial liquidity. In second half of FY17, Yield Curve has remained flat; whereas liquidity was adequately managed by SBP. Shariah Instruments market remained thinly supplied as State Bank of Pakistan conducted a sole Ijara Sukuk auction in FY17 based on fixed rate rental arrangement offering yields of 5.24% and borrowing PKR 71 billion against the maturing Ijara Sukuk of PKR 50 billion evidencing a scarcity of avenues for Islamic investments.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.50% as against its benchmark return of 6.09%. Fund has significantly adjusted its WAM from 2.8 years to 1.6 years because of interest rate outlook which appears to be bottomed out. The fund allocation remained notably in cash and TFCs as at the end of the period under review. At period-end, the fund was 3.8% invested in T-Bills, 11.7% in TDRs, 51.8% in Cash and 24.5% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 6,190 million as compared to Rs. 6,849 million as at June 30, 2016 registering a decrease of 9.62%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 106.4294 as compared to opening NAV of Rs. 106.0443 per unit as at June 30, 2016 registering an increase of Rs. 0.3851 per unit.

FUTURE OUTLOOK

The windfall gains that emerged in past couple of years had been a byproduct of subdued oil prices, which painted a rosy picture on external account, CPI, discount rate and even fiscal account in terms of less burden in terms of subsidies. Though international commodity outlook still appear bearish but rising current account deficit is posing a challenging scenario going ahead.

The trade imbalance of USD 27 billion in FY17 could deteriorate further with machinery imports under CPEC and several local capital projects are expected to lead the import bill. Exports on the other hand, are expected to remain under pressure given muted response of government towards the rebates under the textile package and government's resilience to support Pakistani rupee through foreign exchange reserves. With widening trade deficit and little help from remittances, we expect next year current account deficit to reach near USD 15 billion (~4% of GDP) still far from what we have seen in our last balance of payment crisis, which dragged CAD to ~USD 14 billion (8% of GDP) back in 2008. However widening CAD coupled with interest repayment may create a financing need of USD 18-19bn in FY18, which points towards strong possibility of PKR depreciation.

The Consumer Price Index (CPI) is expected to remain well anchored in FY18. We expect inflation to average around 4.5% in FY18. Currency devaluation and commodity prices though pose risk to estimates, low CPI reading next year is expected to prevent need for near term significant monetary tightening.

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth.

The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

Themes of currency depreciation, interest rate rise and economic growth are expected to set the investment tone in the coming fiscal year. Sectors positively linked with currency weakness are expected to garner lime light namely, Commercial Banks, Exploration & Production and Power sector. Select growth plays in Power, Steel, Construction and Consumer space are also expected to add positive contributions to market performance.

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With three (3) independent Directors on the Board, as governing body of the Management Company the Board 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 its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan , provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- k. All the directors have completed the Directors Training Programme course or are exempt 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.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

- m. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2017:

1. Meeting of the Audit Committee.

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

S. No.	Name of Persons	Number of meetings held	Number of meetings		
			Attendance required	Attended	Leave granted
1	Mr. Haroun Rashid	6	6	3	3
2	Mr. Samad A. Habib	6	4	3	1
3	Mr. Ahmed Jahangir	6	6	6	-
4	Mr. Nasim Beg	6	6	6	-
5	Mirza Qamar Beg	6	2	2	-

2. Meeting of the Human Resource and Remuneration Committee.

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

S. No.	Name of Persons	Number of meetings	Number of meetings		
			Attendance required	Attended	Leave granted
1	Dr. Syed Salman Shah	4	4	4	-
2	Mr. Nasim Beg	4	4	4	-
3	Mr. Ahmed Jahangir	4	4	4	-
4	Mr. Haroun Rashid	4	4	3	1
5	Mr. Muhammad Saqib Saleem	4	4	4	-

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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	-	-	-
2	Muhammad Asif Mehdi Rizvi	Chief Operating Officer	85,202.52	256,828.91	-
3	Abdul Basit	Chief Financial Officer and Company Secretary	-	-	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

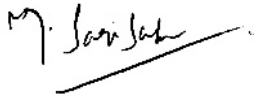
External Auditors

The fund's external auditors, **Ernst & Young Ford Rhodes Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2018. The audit committee of the Board has recommended reappointment of **Ernst & Young Ford Rhodes Chartered Accountants** as auditors of the fund for the year ending June 30, 2018.

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
Karachi: August 4, 2017



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'ارنسٹ اینڈ یگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس' نے 30 جون 2018ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے کے لئے رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018ء کو ختم ہونے والے سال کے لئے 'ارنسٹ اینڈ یگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سپورٹرز اینڈ ایگزیکیوٹو کمیٹی آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
04 اگست 2017ء

ڈائریکٹرز رپورٹ

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
3	3	6	6	1. جناب ہارون رشید
1	3	4	6	2. جناب صدائے حبیب
-	6	6	6	3. جناب احمد جہانگیر
-	6	6	6	4. جناب نسیم بیگ
-	2	2	6	5. مرزا قمر بیگ

ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیو نیشن 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 سید سلمان شاہ
-	4	4	4	2. جناب نسیم بیگ
-	4	4	4	3. جناب احمد جہانگیر
1	3	4	4	4. جناب ہارون رشید
-	4	4	4	5. جناب محمد ثاقب سلیم

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

نمبر شمار	نام	عہدہ	سرمایہ کاری	رڈیمپشن	ڈیویڈنڈ کی تقسیم
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	-	-
2.	محمد آصف مہدی رضوی	چیف آپریٹنگ آفیسر	85,202.52	256,828.91	-
3.	عبدالباسط	چیف فنانشل آفیسر اور کمپنی سیکرٹری	-	-	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

ڈائریکٹر رپورٹ

روپے کی قدر میں کمی، انٹریسٹ کی شرح میں اضافہ اور معاشی ترقی آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبے مثلاً کمرشل بینک، ایکسپلوریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شہ سرخیوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفی شعبوں میں ترقیاتی عمل متوقع طور پر مارکیٹ کی کارکردگی میں مثبت کردار ادا کرے گا۔

ہم اُمید کرتے ہیں کہ آنے والے مہینوں میں اصول سیاسی شور پر غالب ہوں گے، کیونکہ ہماری مارکیٹ 9x کے PER پر تجارت کر رہی ہے (جو ابھرتی ہوئی مارکیٹس کو 30 فیصد ڈسکاؤنٹ ہے) جس سے شرحوں کے دوبارہ تعین کے لئے حالات سازگار ہوں گے۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں مقررہ آمدنی کے منافعوں کو پست رکھے ہوئے ہیں، جس سے ایکویٹی مارکیٹ کی طرف مزید لیکویڈٹی مائل ہو رہی ہے۔ KSE-100 انڈیکس میں فی الوقت ایکویٹی کے خطرات کے 3 فیصد پر بینیم پر تجارت ہو رہی ہے اور 5.5 فیصد ڈیویڈنڈ فراہم ہوتا ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے۔ بورڈ میں تین (3) خود مختار ڈائریکٹرز ہیں، اور مینجمنٹ کمپنی کی گورننگ باڈی کے طور پر بورڈ عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق میں متعین کردہ بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو بالتفصیل واضح کیا گیا ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی نکات واضح کیے جا رہے ہیں:

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

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

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Bینکنگ فنانس کمپنیز (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Bینکنگ فنانس اینڈ نوٹیفائیڈ انڈسٹریز ریگولیشنز، 2008ء، متعلقہ ڈسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

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

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

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

i. واجب الاداء ٹیکسز، 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. تمام ڈائریکٹرز ڈائریکٹرز بینک پروگرام 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 خاکہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی مینٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی مینٹنگز کی تفصیلات درج ذیل ہیں:

آڈٹ کمیٹی کی مینٹنگ

دوران سال آڈٹ کمیٹی کی چھ (06) مینٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

ڈائریکٹر رپورٹ

دوسری ششماہی میں پیداواری خم سیدھا رہا، جبکہ اسٹیٹ بینک آف پاکستان نے لکویڈٹی کا انتظام خاطر خواہ حد تک چلایا۔ مارکیٹ میں شریعہ انسٹرمنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے ایک سال پر محیط منافع 6.50 فیصد حاصل کیا جبکہ اس کا مقررہ معیار 6.09 فیصد تھا۔ انٹریسٹ کی شرح کی بظاہر پست ترین صورتحال کے باعث فنڈ نے اپنے WAM میں قابل ذکر ترمیم کر کے اسے 2.8 سال سے 1.6 سال کر دیا ہے۔ زیر جائزہ مدت کے اختتام پر فنڈ کی سرمایہ کاری کا بڑا حصہ نقد اور TFCs میں تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری ٹی بلز میں 3.8 فیصد، TDRs میں 11.7 فیصد، نقد میں 51.8 فیصد اور TFCs میں 24.5 فیصد تھی۔ نقد میں زیادہ سرمایہ کاری کی وجہ یہ تھی کہ بینک ڈپازٹس پر منافع بخش شرحیں پیش کی گئی تھیں۔ 30 جون 2017ء کو فنڈ کے net اثاثہ جات 6,190 ملین روپے تھے، جو 30 جون 2016ء کو 6,894 ملین روپے کے مقابلے میں 9.62 فیصد کم ہے۔

30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 106.4294 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 106.0043 روپے فی یونٹ کے مقابلے میں 0.3851 روپے فی یونٹ اضافہ ہے۔

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خطیر منافع جات تیل کی قیمتوں میں کمی کے اثرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور حتیٰ کہ مالیاتی اکاؤنٹ کی بھی صورتحال سبب سے کمزور ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پر نظر آرہی ہیں۔

مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کمپنیوں کے منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل سیکٹر کی ترقی کے تحت ری بیس کے حوالے سے حکومت کی خاموشی اور زیر مبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی چلک کے باعث برآمدات متوقع طور پر دباؤ میں رہیں گی۔ بڑھتے ہوئے تجارتی خسارے اور ترسیلات زر کی کمزور صورتحال کی بنیاد پر ہم اگلے سال کرنٹ اکاؤنٹ کے خسارے کو 15 بلین ڈالر (مجموعی ملکی پیداوار کا 4 فیصد) تک پہنچتا دیکھ رہے ہیں، جو 2008ء میں ادائیگیوں کے توازن کے بحران میں پیدا ہونے والے حالات سے اب بھی بہت دور ہے، جب کرنٹ اکاؤنٹ کا خسارہ 14 بلین ڈالر (مجموعی ملکی پیداوار کا 8 فیصد) تک پہنچ گیا تھا۔ تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے کے ساتھ ساتھ انٹریسٹ کی ادائیگی کے باعث مالی سال 2018ء میں 18-19 بلین ڈالر کی مالیت کی فراہمی کی ضرورت پیدا ہو سکتی ہے، جس کے باعث پاکستانی روپے کی قدر میں کمی کا واضح امکان ہے۔

کنزیومر پرائس انڈیکس (CPI) مالی سال 2018ء میں مناسب حد تک قابو میں رہے گا۔ ہمارے اندازے کے مطابق مالی سال 2018ء میں افراط زر کا اوسط 4.5 فیصد ہوگا۔ اگرچہ روپے کی قدر میں کمی اور اشیاء کی قیمتوں کے باعث تخمینوں کو خطرات لاحق ہیں، لیکن توقع ہے کہ اگلے سال CPI کی پست سطح کے سبب مدت قریب میں مالیاتی تنگی کی ضرورت نہیں پڑے گی۔

انٹریسٹ کی پست شرح کے ماحول کے ساتھ ساتھ CPEC سے منسلک منصوبوں کی بنیاد پر حکومت کا مجموعی ملکی پیداوار کا 6 فیصد ہدف زیادہ بلند نہیں معلوم ہوتا، اگر خارجی اکاؤنٹ کا جھٹکا اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اتار نہ دے۔

ایکویٹی مارکیٹ پاناما مسئلے کے نتیجے کی بنیاد پر اپنا اگلا قدم طے کرنے کے لئے تیار ہے۔ مارکیٹ اپنے عروج سے تقریباً 13 فیصد زوال کے بعد بظاہر وزیر اعظم ہاؤس میں تبدیلی کے خطرے کے حوالے سے احتیاطی تدابیر اختیار کر چکی ہے، تاہم عدالتی فیصلے کے نتیجے میں پی ایم ایل (این) کا شیرازہ بکھرنے اور وزیر خزانہ کی نااہلیت سے مختصر المیعاد مارکیٹ کے حالات مزید بگڑ سکتے ہیں کیونکہ یہ اگلے انتخابات میں معلق پارلیمنٹ کے امکانات کا اشارہ ہوگا۔

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی ڈی سی ایف انکم فنڈ کے 30 جون 2017ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2017ء میں پاکستان کی معیشت نے 5.28 فیصد ترقی کی جو گزشتہ دس سالوں میں سب سے زیادہ ترقی ہے۔ اگرچہ 5.7 فیصد کا ہدف حاصل نہ ہو سکا لیکن اس کے باوجود استحکام کے مرحلے سے ترقی کی بلند شرح کی طرف سفر خوش آئند ہے۔ زرعی شعبہ سب سے آگے رہا جس نے ایک سال قبل 0.26 فیصد ترقی کی تھی جبکہ اس سال 3.5 فیصد ترقی کی۔ اس کی معاونت سروسز نے 6 فیصد YoY ترقی کے ساتھ کی۔ صنعتی رُخ پر بڑے پیمانے کے مینوفیکچرنگ شعبے نے 11MFY17 میں 5.7 فیصد ترقی کی، اور اس میں اہم ترین کردار صارفی، تعمیراتی اور توانائی کے شعبوں نے ادا کیا۔ گاڑیوں کے شعبے نے دو عدد پر مشتمل ترقی کی؛ اس شعبے میں مانگ بڑھتی رہی اور مقامی OEMs نے نئے ماڈل متعارف کرائے۔ CPEC سے منسلک اور دیگر انفراسٹرکچر کی سرمایہ کاری کی بدولت تعمیرات سے منسلک صنعتوں مثلاً اسٹیل اور سینٹ کوکوت فراہم ہونے کا عمل جاری رہا۔

خارجی رُخ پر درآمدات میں 17.7 فیصد اضافے اور برآمدات میں 1.4 فیصد کمی کے باعث تجارتی خسارہ وسیع ہو کر مالی سال 2017ء میں 26.9 بلین ڈالر ہو گیا جبکہ ایک سال قبل 19.3 بلین ڈالر تھا۔ درآمدات میں اہم ترین کردار پٹرولیم مصنوعات نے 10.6 بلین ڈالر یعنی 21 فیصد زیادہ ترقی کی صورت میں ادا کیا۔ دوسرے نمبر پر خوراک (15 فیصد YoY اضافہ) اور مشینری (10 فیصد YoY اضافہ) کے شعبے رہے۔ تیل کی قیمتوں میں اضافے، گیس کی کمی کو پورا کرنے کے لئے ایل این جی کی درآمدات، صارفی مصنوعات کی مانگ میں تیزی سے بڑھتے ہوئے اضافے، اور مختلف منصوبوں کے لئے کپٹیل اشیاء کی درآمد کے باعث مالی سال 2017ء میں درآمدات کا بل 48.5 بلین ڈالر تک پہنچ گیا۔

مالی سال 2017ء میں ترسیل زرگزشتہ سال کے مقابلے میں 3.08 فیصد کمی کا شکار ہو کر 19.3 بلین ڈالر ہو گئیں، اور اس کے اہم ترین اسباب مشرق وسطیٰ میں روزگاری صورتحال اور عالمی سطح پر متوقع سے کم حصولیات ہیں۔

مندرجہ بالا دو اسباب (ترسیل زر میں کمی اور CA خسارے میں اضافے) کے نتیجے میں غیر زرمبادلہ کے ذخائر پر دباؤ بڑھ رہا ہے، جو زیر جائزہ سال کے اختتام پر 21.368 بلین ڈالر تھے، اور یہ یکم جولائی 2016ء سے تاحال 1.72 بلین ڈالر کمی ہے۔

عرب لائٹ کی اوسط قیمتوں میں 19 فیصد YoY اضافے کے باوجود CPI کی سطح پست رہی اور اس میں مالی سال 2017ء کے دوران 4.15 فیصد اضافہ ہوا، جس کی سب سے بڑی وجہ خوراک، نقل و حمل اور رہائشی کرائے کے شعبوں میں قابل ذکر ترقی ہے۔

حکومت مالیاتی خسارے کو 4.2 فیصد پر برقرار رکھ سکی جو متعین شدہ ہدف 3.8 فیصد سے تھوڑا زیادہ ہے۔ مجموعی اخراجات اور مجموعی آمدنی، دونوں میں 12 فیصد YoY اضافہ ہوا جبکہ مالیاتی توازن میں 11 فیصد YoY اضافہ ہوا۔ حکومت نے مالی سال 2018ء کے لئے مالیاتی خسارے کا ہدف 4.1 فیصد متعین کیا ہے۔ CA خسارے کے علاوہ ایک اور تشویشناک امر تجارتی خسارے میں اضافہ، اور اس بڑھتے ہوئے فرق کو پُر کرنے کے لئے مالیات فراہم کرنے کے لئے پبلک اور پرائیویٹ قرضہ جات میں اضافہ ہے۔ مارچ 2017ء تک پاکستان مجموعی طور پر 23.95 ٹریلین روپے کا قرض دار تھا، جو ایک سال کے دوران 2.33 ٹریلین روپے کا اضافہ ہے۔

اسٹیٹ بینک آف پاکستان نے اپنے تازہ ترین مالیاتی پالیسی کے جائزے برائے اگلے دو ماہ میں پالیسی کی شرح کو متواتر ساتویں مرتبہ 5.75 فیصد برقرار رکھا ہے۔ پالیسی کمیٹی کی بدستور مثبت خیالی کی بنیاد CPEC اور دیگر منصوبے ہیں جن کی بدولت دوران سال روپیہ نسبتاً مستحکم رہا اور ان کے ذریعے مستقبل میں آمدات متوقع ہیں۔ بازار زر میں موجودہ غیر یقینی سیاسی صورتحال کی بھی عکاسی ہوئی، جہاں اسٹیٹ بینک آف پاکستان کی فراہم کردہ ایک عارضی چھوٹ کے نتیجے میں ایک دن میں تقریباً 4 فیصد کمی ہوئی۔ تاہم بعد ازاں وزیر خزانہ کی پیش کردہ صفائی اور قیاسی کارروائیوں سے جنگ کے بھرپور عزم کے اظہار کے نتیجے میں صورتحال بحال ہو گئی۔

ادائیگیوں کے توازن کے خسارہ جات کے باعث بینکاری کے نظام کے Net غیر ملکی اثاثہ جات سکڑ گئے۔ مالی سال 2016ء کے اختتام پر 1.0 ٹریلین روپے تھے جبکہ مالی سال 2017ء کے اختتام پر صرف 601 بلین روپے رہ گئے۔ حکومت کے خطیر بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی

(+13.7 فیصد Y/Y) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک آف پاکستان پر انحصار کرتے ہوئے 908 بلین روپے قرض حاصل کیا جس کے نتیجے میں مقامی بینکوں کو خاطر خواہ لکویڈٹی فراہم ہوئی۔ مالی سال 2017ء کی

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Fund Type and Category

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

Fund Benchmark

The benchmark for MCB DCFIF is Six(6) months KIBOR rates.

Investment Objective

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

Investment Strategy

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

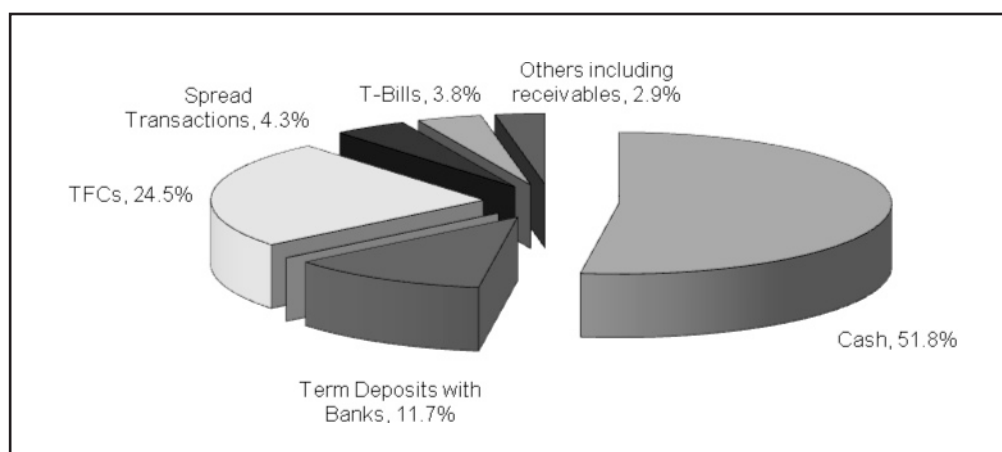
Manager's Review

During the period under review, the fund generated an annualized return of 6.50% as against its benchmark return of 6.09%. Fund has significantly adjusted its WAM from 2.8 years to 1.6 years because of interest rate outlook which appears to be bottomed out. The fund allocation remained notably in cash and TFCs as at the end of the period under review. At period-end, the fund was 3.8% invested in T-Bills, 11.7% in TDRs, 51.8% in Cash and 24.5% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 6,190 million as compared to Rs. 6,849 million as at June 30, 2016 registering a decrease of 9.62%.

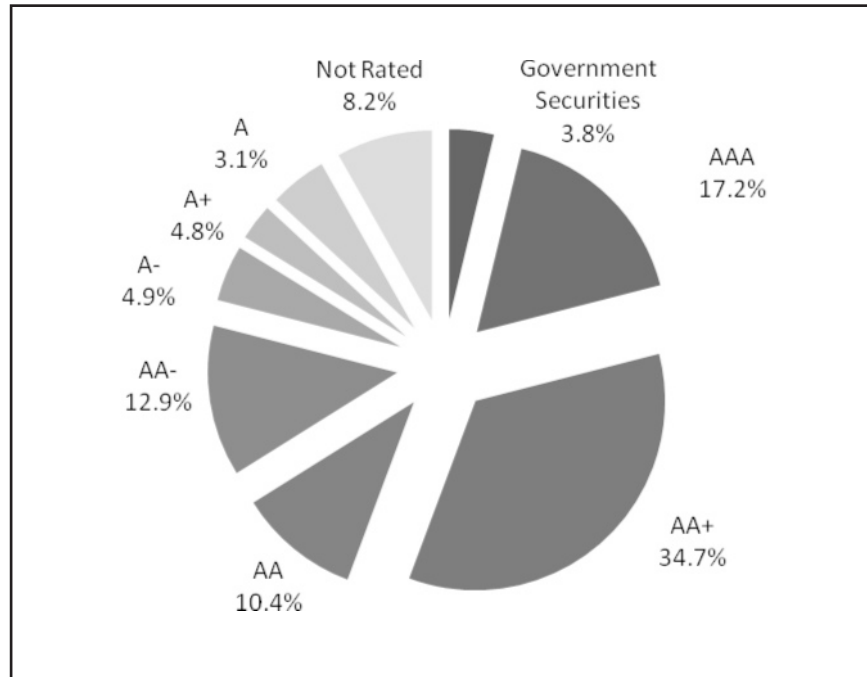
The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 106.4294 as compared to opening NAV of Rs. 106.0443 per unit as at June 30, 2016 registering an increase of Rs. 0.3851 per unit.

Asset Allocation as on June 30, 2017 (% of total assets)



REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Asset Quality as of June 30, 2017 (% of total assets)



Mr. Saad Ahmed
Fund Manager

Karachi: August 04, 2017

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

MCB DCF INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB DCF Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2017 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.


Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 08, 2017



STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of MCB DCF Income Fund to comply with the Code of Corporate Governance (the code) contained in regulation # 5.19 of chapter 5 of the Rule Book of the 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.

The company has applied the principles contained in the Code in the following manner:

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

Category	Names
Independent Directors	1. Dr. Syed Salman Ali Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Qamar Beg
Executive Directors	1. Mr. Muhammad Saqib Saleem—Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha-Chairman 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib 4. Mr. Nasim Beg – Vice Chairman

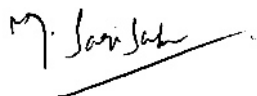
The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Company.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the 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 CEO, other executive and non-executive directors, have been taken by the Board.
8. Out of the total eight meetings only one meeting of the Board was presided over by the chairman which was held on August 5, 2016. Five meetings were presided over by Mr. Nasim Beg and two meetings were presided by Dr. Syed Salman Ali Shah duly elected by the board for the 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, one director Mr. Mirza Qamar Beg was included on the Board of Directors and is complied with the Director's Training Programme. All remaining directors on the board already possess the required training or are exempt on the basis of specified qualification and experience as required by the Code.
10. Company Secretary and Head of Internal Audit continued their services and there was no change in these positions during the year. The Chief Financial Officer was appointed during the year on February 02, 2017 and the board has approved the remuneration and terms and conditions of the employment of the CFO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

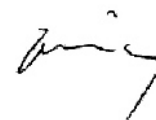
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee who is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and one is executive Director and the chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function, the members of which are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. 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 IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done in the board meeting held on August 04, 2017.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. 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 04, 2017



Nasim Beg
Director / Vice Chairman

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



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of MCB DCF Income Fund (the Fund), for the year ended 30 June 2017 to comply with the requirements of Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2017.

Chartered Accountants

Karachi

Date: 04 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017



EY Forc Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
P.O. Box 15541, Karachi 75530
Pakistan

Tel: +9221 3565 0007-11
Fax: +9221 3568 1965
ey.khi@pk.ey.com
ey.com/pk

INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **MCB DCF Income Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2017**, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2017**



-: 2 :-

Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2017** 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

Audit Engagement Partner: Shabbir Yunus

Date: 04 August 2017

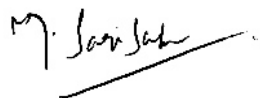
Karachi

STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2017

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
ASSETS			
Balances with banks	6	3,458,357	2,130,877
Investments	7	2,962,412	5,446,142
Mark-up and other receivables	8	76,016	128,824
Fair value of derivative asset		2,643	5,855
Advances, deposits and prepayments	9	19,392	4,284
Receivable against Margin Trading System (MTS)		69,112	-
Receivable against sale of investments (Equity)		93,884	-
Total assets		6,681,816	7,715,982
LIABILITIES			
Payable to the Management Company	10	8,269	12,213
Payable to the Trustee	11	563	681
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	12	5,131	8,712
Payable against redemption of units		18,964	9,332
Payable against purchase of investments (Money Market)		-	497,520
Payable against purchase of investments (Equity)		290,093	43,056
Accrued and other liabilities	13	169,035	295,796
Total liabilities		492,055	867,310
NET ASSETS		6,189,761	6,848,672
Unit holders' fund (as per statement attached)		6,189,761	6,848,672
Contingencies and commitments	14		
NUMBER OF UNITS IN ISSUE			
		58,158,379	64,583,116
NET ASSET VALUE PER UNIT			
		106.4294	106.0443

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

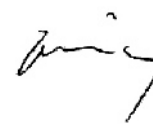
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



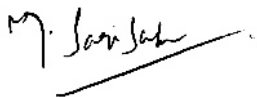
Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
INCOME			
Profit on bank deposits and term deposit receipts		175,855	103,694
Income from Margin Trading System (MTS)		24,615	-
At fair value through profit or loss' - held-for-trading			
- Income from term finance certificates		140,180	175,779
- Income from government securities		40,196	157,176
- Dividend income from equity securities		59,292	7,832
- Net unrealised (diminution) / appreciation in the value of investments	7.4.3	(1,296)	3,461
- Net unrealised appreciation on derivatives		2,643	5,855
- Net gain on sale of investments		106,074	28,682
- (Loss) / income from spread transactions	7.2.1	(68,682)	3,966
		278,407	382,751
Available-for-sale investments			
- Income from government securities		38,346	554,327
- Net (loss) / gain on sale of investments		(13,242)	61,672
		25,104	615,999
Other income		302	1,390
Total income		504,283	1,103,834
Provision against debt securities		(7,943)	(18,630)
EXPENSES			
Remuneration of the Management Company		96,223	174,235
Sales tax and Federal excise duty on management fee	15	13,588	56,173
Remuneration of the Trustee		6,388	9,732
Sales tax on trustee fee		830	1,361
Annual fee to SECP		5,131	8,712
Expenses allocated by Management			
Company and related taxes	5	7,730	7,279
Brokerage and settlement charges		27,833	8,926
Auditors' remuneration	16	822	877
Legal and professional charges		749	2,084
Bank charges		374	825
Reversal of Provision for Workers' Welfare Fund	13.1	(104,465)	-
Others		965	625
Total expenses		56,168	270,829
Net income from operating activities		448,115	833,005
Element of loss and capital losses included in the prices of units sold less those in units redeemed			
- from realised / unrealised capital loss		(34,116)	(76,656)
- from other loss		(117,024)	(323,063)
		(151,140)	(399,719)
Net income for the year before taxation		289,032	414,656
Taxation	17	-	-
Net income for the year after taxation		289,032	414,656

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

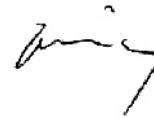
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



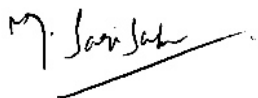
Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Net income for the year after taxation	289,032	414,656
Other comprehensive income:		
To be reclassified to income statement in subsequent periods		
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(6,456)	(100,373)
Other comprehensive loss for the year	<u>(6,456)</u>	<u>(100,373)</u>
Total comprehensive income for the year	<u>282,576</u>	<u>314,283</u>

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

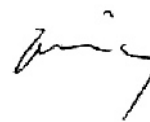
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



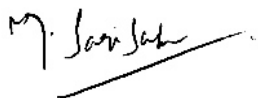
Director

DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Undistributed income brought forward comprises of:		
- Realised income	397,428	494,188
- Unrealised income	3,461	13,778
Undistributed income brought forward - net	400,889	507,966
Final distribution:		
- Cash distribution: for the year ended June 30, 2017 declared on June 22, 2017 of Rs.6.50 per unit	(259,451)	
- Cash distribution: For the year ended June 30, 2016 declared on June 27, 2016 of Rs.6.15 per unit	-	(365,801)
Element of (loss) / income and capital (losses) / gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(39,636)	(155,932)
Net income for the year	289,032 (10,055)	414,656 (107,077)
Undistributed income carried forward	390,834	400,889
Undistributed income carried forward comprises of:		
- Realised income	392,130	397,428
- Unrealised income	(1,296)	3,461
	390,834	400,889

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

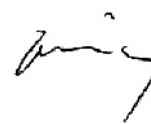
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



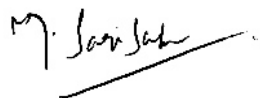
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Net assets at beginning of the year	6,848,672	11,272,806
Issue 81,316,262 units (2016: 87,708,783 units)	8,830,711	9,261,155
Redemption of 87,741,000 units (2016: 129,875,564 units)	(9,663,887)	(14,033,490)
	(833,176)	(4,772,335)
	6,015,496	6,500,471
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		
- amount representing loss and capital losses - transferred to Income Statement		
- from realised / unrealised capital loss	34,116	76,656
- from other loss	117,024	323,063
- amount representing unrealised loss and capital losses that forms part of the unit holders' fund transferred to Distribution Statement	39,636	155,932
	190,776	555,651
Net income for the year transferred from the distribution statement		
Capital (loss) / gain on sale of investments	(13,242)	61,672
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'held-for-trading'	(1,296)	3,461
Other net income for the year	303,570	349,523
Element of loss and capital losses included in the prices of units sold less those in units redeemed - amount representing unrealised income	(39,636)	(155,932)
Distributions made during the year (refer distribution statement)	(259,451)	(365,801)
	(10,055)	(107,077)
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(6,456)	(100,373)
Net assets at the end of the year	6,189,761	6,848,672
	----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE	58,158,379	64,583,116
	----- (Rupees) -----	
NET ASSET VALUE PER UNIT	106.4294	106.0443

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

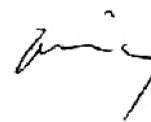
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



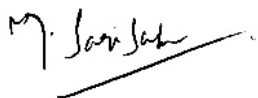
Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	June 30, 2016
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	289,032	414,656
Adjustments for:		
Net unrealised diminution / (appreciation) in the fair value of investments classified 'at fair value through profit or loss - held-for-trading'	1,296	(3,461)
Charge of provision against debt securities	7,943	18,630
Element of loss and capital loss included in the prices of units sold less those in units redeemed:		
- from realised / unrealised capital loss	34,116	76,656
- from other loss	117,024	323,063
	<u>449,411</u>	<u>829,544</u>
Decrease in assets		
Investments	2,309,181	3,102,915
Mark-up and other receivables	52,808	246,167
Fair value of derivative asset	3,212	(5,855)
Receivable against Margin Trading System (MTS)	(69,112)	-
Receivable against sale of investments (Equity)	(93,884)	-
Advances, deposits and prepayments	(15,108)	(790)
	<u>2,187,097</u>	<u>3,342,437</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(3,944)	(21,882)
Payable to the Trustee	(118)	(182)
Annual fee payable to SECP	(3,581)	(908)
Payable against redemption of units	9,632	(16,512)
Payable against purchase of Investments (Money Market)	(497,520)	497,520
Payable against purchase of Investments (Equity)	247,037	43,056
Accrued and other liabilities	(126,761)	535
	<u>(375,255)</u>	<u>501,627</u>
Net cash generated from operating activities	<u>2,261,253</u>	<u>4,673,608</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts against issue of units	8,830,711	9,261,155
Net payments on redemption of units	(9,663,887)	(14,033,490)
Dividend paid	(259,451)	(365,801)
Net cash used in financing activities	<u>(1,092,627)</u>	<u>(5,138,136)</u>
Net increase / (decrease) in cash and cash equivalents during the year	1,168,626	(464,528)
Cash and cash equivalents at beginning of the year	3,074,731	3,539,259
Cash and cash equivalents at end of the year	<u>4,243,357</u>	<u>3,074,731</u>

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

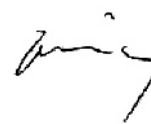
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.5 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated June 23, 2017 to the Management Company and a rating of A+ dated July 12, 2017 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

2.2 New Standards, Interpretations and Amendments

The Fund has adopted the following accounting standard and the amendments and interpretation of IFRSs which became effective for the current year:

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

The adoption of the above amendments, improvements to accounting standards and interpretations did not have any effect on the financial statements.

2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective

The following standards, amendments and interpretations with respect to the approved accounting standards as applicable in Pakistan would be effective from the dates mentioned below against the respective standard or interpretation:

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016. Such improvements are generally effective for accounting periods beginning on or after January 01, 2018. The Fund expects that such improvements to the standards will not have any material impact on the Fund's financial statements in the period of initial application.

Further, following new standards have been issued by IASB which are yet to be notified by the SECP for the purpose of applicability in Pakistan.

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRS 17 - Insurance Contracts	January 01, 2021

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments are measured at fair value.

3.2 Critical accounting estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the result of which form the basis of making judgments about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis.

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.6 respectively.

3.3 Functional and presentation currency

These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 2.2.

4.1 Financial assets

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss - held-for-trading;
- available-for-sale investments; and
- loans and receivables.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement', at the time of initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

These include held-for-trading investments and such other investments that, upon initial recognition, are designated under this category. Investments are classified as held-for-trading if they are acquired for the purpose of selling in the near term. After initial measurement, such investments are carried at fair value and gains or losses on revaluation are recognised in the income statement.

b) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables or (b) financial assets at fair value through profit or loss - held-for-trading. These are intended to be held for an indefinite period of time which may be sold in response to the needs for liquidity or change in price.

c) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

4.2 Regular way contracts

All purchases and sales of securities that require delivery within the time frame established by regulation or market convention are recognized at the trade date. Trade date is the date on which the Fund commits to purchase or sell assets.

4.3 Initial recognition and measurement

a) Financial assets at fair value through profit or loss - held-for-trading

These investments are initially recognized at fair value. Transaction costs are expensed in the Income Statement.

b) Available-for-sale and loans and receivables

These are initially recognized at fair value plus transaction costs that are directly attributable to the acquisition of such assets.

4.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management at fair value through profit or loss and available-for-sale are valued at fair values determined as follows:

a) Debt securities

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 1 dated January 06, 2009 as amended by Circular No. 33 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

b) Government securities

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

Net gains and losses arising on changes in the fair value of financial assets carried at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from changes in fair value of available-for-sale financial assets are taken to the 'statement of comprehensive income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'statement of comprehensive income' is transferred to the 'income statement'.

c) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortized cost using the effective interest method.

4.5 Securities under repurchase / resale agreements

Transactions of purchase under an agreement for resale (reverse-repo) of marketable and government securities, including the securities purchased under margin trading system, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognized in the statement of assets and liabilities. Amount paid under these agreements are included as receivable in respect of reverse repurchase transactions / against margin trading system transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions / margin trading system and accrued over the life of the reverse-repo agreement.

All reverse repo / marginal trading system transactions are accounted for on the settlement date.

4.6 Impairment of financial assets

The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognized whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses are recognized in the income statement.

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 6, 2009 as amended by Circular No. 13 dated May 4, 2009 and Circular No. 33 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

4.7 Derivatives

Derivative financial instruments are initially recognized at fair value on the date on which the derivative contract is entered into and are subsequently re-measured at fair value using appropriate valuation techniques. All derivative financial instruments are carried as asset when the fair value is positive and liabilities when the fair value is negative. Any change in the fair value of derivative financial instruments is taken to the income statement.

4.8 Derecognition

Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

4.9 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities when there is a legally enforceable right to set off the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.10 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

4.11 Issue and redemption of units

Units issued are recorded at the offer price of the day on which funds are received in the Trustee bank accounts during business hours. The offer price represents the net asset value per unit as of the close of the business day.

Units redeemed are recorded at the redemption price announced as of the close of the business day on which a correctly filled-in redemption form is submitted within the business hours. The redemption price represents the net asset value per unit as of the close of the business day.

4.12 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units sold and redeemed during an accounting period which pertains to unrealized gains / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement.

4.13 Proposed distributions

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

4.14 Provisions

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

4.15 Earnings per unit

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

4.16 Taxation

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

4.17 Revenue recognition

- Realized capital gains / (losses) arising on sale of investments / settlement of derivatives are included in the Income Statement on the date at which the transaction takes place.
- Unrealized gains / (losses) arising on mark to market of investments classified as 'at fair value through profit or loss' - held-for-trading are included in the Income Statement in the period in which they arise.
- Income from government securities is recognized using the effective interest method.
- Profit on investments is recognized on an accrual basis.
- Profit on bank deposits is recognized on an accrual basis.

4.18 Expenses

All expenses including management fee, trustee fee and SECP fee are recognised in the Income Statement on an accrual basis.

4.19 Cash and cash equivalents

Cash and cash equivalents include deposits with banks and other short-term highly liquid investments with original maturities of three months or less and bank overdrafts.

4.20 Other assets

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

4.21 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. Translation differences on non-monetary financial assets and liabilities are recognized in the Income Statement.

4.22 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

5. REIMBURSEMENT OF EXPENSES TO THE MANAGEMENT COMPANY

SECP has introduced "expense ratio" vide amendments in the NBFC Regulations dated November 25, 2015, whereby, the total expense ratio of an income scheme shall be capped at 2% of average daily net assets value of the scheme. The regulation further states that for the purpose of expense ratio, expenses incurred in relation to any government levy on funds such as sales tax, federal excise duty, SECP fee, etc. shall be excluded while calculating expense ratio. Furthermore, under the NBFC Regulation 60(3)(s), the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar services, accounting, operations and valuation services related to that CIS, the maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less. Accordingly, this represents the amount payable to the Management Company to maintain the expense ratio of the Fund within the prescribed limits. The total expense ratio of the Fund is 2.43% which includes 0.44% representing government levies and SECP fee.

6. BALANCES WITH BANKS

Deposit accounts

Note	June 30, 2017	June 30, 2016
----- (Rupees in '000) -----		
6.1	<u>3,458,357</u>	<u>2,130,877</u>

6.1 These carry mark-up at rates ranging between 3.75% to 8% per annum (2016: 3.75% to 6.25%) per annum and include balance of Rs.4.93 million (2016: Rs.16.385 million) with MCB Bank Limited (a related party).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

7. INVESTMENTS

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

Government securities
Listed equity securities
Listed debt securities
Unlisted debt securities

June 30, 2017
June 30, 2016
----- (Rupees in '000) -----
Note

7.1	249,225	712,082
7.2	287,648	435,855
7.3	736,400	1,008,726
7.4	903,393	1,139,767
	2,176,666	3,296,430

Available-for-sale

Government securities
Loans and receivables

7.5	746	1,718,958
7.6	785,000	430,754
	2,962,412	5,446,142

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

Name of investee company	Note	Face Value					Balance as at June 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 01, 2016	Purchased during the year	Disposed during the year	Matured during the year	As at June 30, 2017	Carrying Value	Market value	Diminution		
											%
Market Treasury Bills - 1 year		-	2,920,000	1,470,000	1,450,000	-	-	-	-	-	-
Market Treasury Bills - 6 months	7.1.1	200,000	3,250,000	3,100,000	100,000	250,000	249,258	249,225	(33)	4.03%	8.41%
Market Treasury Bills - 3 months		515,000	3,649,000	4,164,000	-	-	-	-	-	-	-
Total as at June 30, 2017		715,000	9,819,000	8,734,000	1,550,000	250,000	249,258	249,225	(33)	4.03%	8.41%
Total as at June 30, 2016		1,002,500	41,250,060	36,840,000	4,697,560	715,000	712,082	712,082	-	10.40%	13.07%

7.1.1 This will mature latest by July 20, 2017 (2016: August 04, 2016) and carry interest at the rate of 5.85% (2016: 5.06% to 5.96%) per annum.

7.1.2

The above includes Market treasury bills with a face value aggregating to Rs.100 million (2016: Nil) which have been pledged with National Clearing Company of Pakistan Limited as security against MTS trades and exposure margin / MTM losses each in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Name of investee company	Number of shares				Balance as at June 30, 2017			Market value as a percentage of net assets of the fund	Market value as percentage of total investments	Percentage of the paid-up capital of the Investee company
	As at July 01, 2016	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2017	Cost	Market value			
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise										
Oil and gas exploration companies										
Pakistan Petroleum Limited	3,500	346,000	-	349,500	-	-	-	-	-	-
Pakistan Oilfields Limited	-	299,500	-	299,500	-	-	-	-	-	-
Oil & Gas Development Company Limited	40,500	3,926,500	-	3,922,500	44,500	6,328	6,261	(67)	0.10%	0.00%
					44,500	6,328	6,261	(67)	0.10%	0.00%
Oil and gas marketing companies										
Hascol Petroleum Limited	7,500	1,260,000	-	1,267,500	-	-	-	-	-	-
Pakistan State Oil Company Limited	22,000	2,125,000	-	2,089,500	57,500	22,386	22,273	(113)	0.36%	0.02%
					57,500	22,386	22,273	(113)	0.36%	0.02%
Fertilizer										
Engro Fertilizers Limited	1,322,500	15,821,500	-	17,024,500	119,500	6,704	6,601	(103)	0.11%	0.01%
Engro Corporation Limited	145,000	5,503,000	-	5,559,000	89,000	32,617	29,006	(3,611)	0.47%	0.02%
Fauji Fertilizer Bin Qasim Limited	-	4,305,000	-	4,303,000	2,000	78	86	8	0.00%	0.00%
Fauji Fertilizer Company Limited	51,000	1,799,000	-	1,774,000	76,000	6,442	6,281	(161)	0.10%	0.01%
Fatima Fertilizer Company Limited - a related party	-	3,195,500	-	3,195,500	-	-	-	-	-	-
					286,500	45,841	41,974	(3,867)	0.68%	0.04%
Technology and communication										
Pakistan Telecommunication Company Limited 'A'	207,000	5,246,500	-	5,453,500	-	-	-	-	-	-
Hum Network Limited **	-	305,000	-	305,000	-	-	-	-	-	-
TRG Pakistan Limited	-	14,451,500	-	11,907,000	2,544,500	103,240	102,009	(1,231)	1.65%	0.47%
					2,544,500	103,240	102,009	(1,231)	1.65%	0.47%
Power generation and distribution										
Hub Power Company Limited	20,000	238,500	-	255,000	3,500	412	411	(1)	0.01%	0.00%
K-Electric Limited *	819,000	59,080,000	-	56,213,500	3,685,500	25,264	25,430	166	0.41%	0.01%
Kot Addu Power Company Limited	-	170,500	-	168,000	2,500	180	180	-	0.00%	0.00%
					3,691,500	25,856	26,021	165	0.42%	0.01%
Commercial banks										
Habib Bank Limited	-	6,500	-	6,500	-	-	-	-	-	-
Askari Bank Limited	-	5,500	-	5,500	-	-	-	-	-	-
Faysal Bank Limited	-	5,000	-	5,000	-	-	-	-	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Name of investee company	Number of shares				Balance as at June 30, 2017			Market value as a percentage of net assets of the fund	Market value as percentage of total investments	Percentage of the paid-up capital of the Investee company	
	As at July 01, 2016	Purchases during the year	Bonus / right issue during the year	Sales during the year	As at June 30, 2017	Cost	Market value				Appreciation / (Diminution)
(Rupees in '000)											
----- % -----											
Construction and materials (cement)											
Pakcem Limited	10,000	37,000	-	47,000	-	-	-	-	-	-	
Cherat Cement Company Limited	-	1,032,500	-	1,032,500	-	-	-	-	-	-	
Fauji Cement Company Limited	83,500	8,125,500	-	7,988,500	220,500	9,207	9,047	(160)	0.15%	0.31%	
Maple Leaf Cement Factory Limited	-	1,988,000	-	1,956,000	32,000	3,597	3,564	(33)	0.06%	0.12%	
Pioneer Cement Limited	-	628,500	-	628,500	-	-	-	-	-	-	
D.G.Khan Cement Company Limited - a related party	-	3,798,000	-	3,791,000	7,000	1,497	1,492	(5)	0.02%	0.05%	
Power Cement Limited - a related party	-	603,500	-	603,500	-	-	-	-	-	-	
					259,500	14,301	14,103	(198)	0.23%	0.48%	
Food and personal care products											
Engro Foods Limited	27,000	3,701,500	-	3,686,000	42,500	5,295	5,163	(132)	0.08%	0.17%	
Treet Corporation Limited	-	44,500	-	44,500	-	-	-	-	-	-	
					42,500	5,295	5,163	(132)	0.08%	0.17%	
Multitiilities (gas and water)											
Sui Southern Gas Company Limited - a related party	1,218,000	14,000	-	1,232,000	-	-	-	-	-	-	
Sui Northern Gas Company Limited - a related party	160,500	451,000	-	611,500	-	-	-	-	-	-	
					-	-	-	-	-	-	
Pharma and bio tech											
The Searle Company Limited	63,000	16,000	-	79,000	-	-	-	-	-	-	
					-	-	-	-	-	-	
Cable and electrical goods											
Pak Elektron Limited	2,731,000	19,704,000	-	22,257,500	177,500	19,737	19,582	(155)	0.32%	0.66%	
TITPL Trakker Limited	-	10,394,000	-	10,376,000	18,000	178	178	-	0.00%	0.01%	
					195,500	19,915	19,760	(155)	0.32%	0.67%	
Refinery											
Attock Refinery Limited	40,000	4,586,000	-	4,579,000	47,000	18,098	17,981	(117)	0.29%	0.61%	
					47,000	18,098	17,981	(117)	0.29%	0.61%	
Engineering											
International Steels Limited	-	9,406,500	-	9,320,500	86,000	11,186	10,998	(188)	0.18%	0.37%	
Amreli Steels Limited	-	1,923,500	-	1,923,500	-	-	-	-	-	-	
					86,000	11,186	10,998	(188)	0.18%	0.37%	
Textile Composite											
Nishat Mills Limited - a related party	-	3,802,500	-	3,751,000	51,500	8,220	8,172	(48)	0.13%	0.28%	
Nishat (Chunian) Limited - a related party	-	14,250,000	-	13,998,000	252,000	12,631	12,933	302	0.21%	0.44%	
					303,500	20,851	21,105	254	0.34%	0.72%	

	40	MCB DCF Income Fund
--	----	---------------------

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

7.3 Debt securities - term finance certificates of Rs.5,000 each (unless stated otherwise) - Listed 'at fair value through profit or loss' - held-for-trading

Name of investee company	Number of Certificates				Balance as at June 30, 2017			Market value as a percentage of total investment
	As at July 01, 2016	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2017	Carrying value	Market value	
								(Rupees in '000) %
Commercial banks								
Bank Alfalah Limited (February 20, 2013)	72,631	-	-	-	72,631	370,314	373,137	12.60%
Faysal Bank Limited (December 27, 2010)	10,000	-	-	-	10,000	12,765	12,506	0.42%
Habib Bank Limited (February 19, 2016) TFC-I *	6,000	-	-	2,500	3,500	349,886	350,757	11.84%
						732,965	736,400	24.86%
Financial services								
Saudi Pak Leasing Company Limited								
(March 13, 2010) (refer note 7.4.1)	10,000	-	-	-	10,000	27,548	2,823	6.03%
Less: Provision						(27,548)	(259)	0.20%
						-	871	11.84%
							3,435	24.86%
Total listed debt securities						732,965	736,400	

7.4 Debt securities - Term finance certificates / sukuku of Rs.5,000 each (unless stated otherwise) - Unlisted 'at fair value through profit or loss' - held-for-trading

Name of investee company	Number of Certificates				Balance as at June 30, 2017			Market value as a percentage of total investment
	As at July 01, 2016	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2017	Carrying value	Market value	
								(Rupees in '000) %
Commercial banks								
Askari Bank Limited (September 30, 2014)	56,000	-	-	-	56,000	285,262	285,242	9.63%
Bank Alfalah Limited (December 02, 2009)	40,250	-	-	-	40,250	68,037	67,119	2.27%
Bank Alfalah Limited								
(December 02, 2009) fixed	18,235	-	-	-	18,235	32,520	30,753	1.04%
Bank Al Habib (March 17, 2016) TFC-II	54,000	-	-	10,500	43,500	217,309	221,118	7.46%
Standard Chartered Bank (Pakistan) Limited								
(June 29, 2012)	41,000	-	-	4,000	37,000	185,431	185,428	6.26%
						788,559	789,660	26.66%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Name of investee company	Number of Certificates				Balance as at June 30, 2017		Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 01, 2016	Purchased during the year	Matured during the year	Disposed during the year	As at June 30, 2017	Carrying value	Market value (Diminution)	
						(Rupees in '000)		%
Chemical								
Ghani Gases Limited (February 02, 2017) Sukuk **	-	500	-	-	500	48,396	48,386 (10)	0.78% 1.63%
Fertilizer								
Engro Fertilizer Limited (July 09, 2014) Sukuk	15,800	-	-	-	15,800	65,484	65,347 (137)	1.06% 2.21%
Financial services								
Security Leasing Corporation Limited (March 13, 2008) (refer note 7.4.1) Less: Provision	10,000	-	-	-	10,000	2,799 (2,799)	-	-
Security Leasing Corporation Limited - Sukuk (June 01, 2007) (refer note 7.4.1) Less: Provision	5,000	-	-	-	5,000	1,383 (1,383)	-	-
Household goods								
New Allied Electronics Industries (Private) Limited (May 15, 2007) (refer note 7.4.1) Less: Provision	10,400	-	-	-	10,400	22,337 (22,337)	-	-
New Allied Electronics Industries (Private) Limited - Sukuk (July 27, 2007) (refer note 7.4.1) Less: Provision	112,000	-	-	-	112,000	35,063 (35,063)	-	-
Total unlisted debt securities								
						902,439	903,393 954	
Total as at June 30, 2017						1,635,404	1,639,793 4,389	
Total as at June 30, 2016						2,140,668	2,148,493 7,821	

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

** Nominal value of these term finance certificates is Rs.95,833 per unit.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Name of security	Number of certificates	Face value (Rupees)	Unredeemed face value / redemption value (Rupees)	Mark-up rate (per annum)	Maturity	Secured / unsecured	Rating
Listed debt securities							
Commercial banks							
Habib Bank Limited (February 19, 2016) TFC-I	3,500	100,000	99,960	6 month KIBOR+0.50%	February 19, 2026	Unsecured	AAA
Bank Alfalah Limited -V (February 20, 2013, issue)	72,631	5,000	4,992	6 month KIBOR+1.25%	February 20, 2021	Unsecured	AA-
Faysal Bank Limited TFC (December 27, 2010, issue)	10,000	5,000	1,248	6 month KIBOR+2.25%	December 24, 2017	Unsecured	AA-
Unlisted debt securities							
Askari Bank Limited IV - TFC (September 30, 2014)	56,000	5,000	4,995	6 month KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank Al Habib (March 17, 2016) TFC-II	43,500	5,000	4,998	6 month KIBOR+0.75%	March 17, 2026	Unsecured	AA
Bank Alfalah Limited-IV (December 02, 2009)	40,250	5,000	1,662	6 month KIBOR+2.5%	December 2, 2017	Unsecured	AA-
Bank Alfalah Limited-IV (December 02, 2009) Fixed	18,235	5,000	1,662	15%	December 2, 2017	Unsecured	AA-
Ghani Gases Limited - Sukuk (February 02, 2017)	500	95,833	95,833	6 month KIBOR+1%	February 2, 2023	Unsecured	A
Standard Chartered Bank (Pakistan) Limited PPTFC (June 29, 2012)	37,000	5,000	4,000	6 month KIBOR+0.75%	June 29, 2022	Unsecured	AAA
Engro Fertilizer Limited - Sukuk (July 09, 2014)	15,800	5,000	4,625	6 month KIBOR+1.75%	July 9, 2019	Secured	A+
The Term Finance Certificates and Sukuks held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.							

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

7.4.3 Net unrealised (diminution) / appreciation on re-measurement of investments classified 'at fair value through profit or loss' - held-for-trading

	June 30, 2017	June 30, 2016
	-----	-----
Market value of investments	2,176,666	3,296,430
Less: Carrying value of investments	2,177,962	3,292,969
	(1,296)	3,461

7.5 Government securities - 'available-for-sale'

Name of investee company	Note	Face value				Balance as at June 30, 2017			Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 01, 2016	Purchased during the year	Disposed during the year	Matured during the year	As at June 30, 2017	Carrying Value	Market value (diminution)		
Rupees in '000										
Pakistan Investment Bonds - 10 years		143,000	243,000	386,000	-	-	-	-	-	-
Pakistan Investment Bonds - 05 years	7.5.1	726,300	1,350,600	2,076,400	-	500	520	535	15	0.02%
Pakistan Investment Bonds - 03 years	7.5.2	705,900	100,000	805,700	-	200	220	211	(9)	0.01%
Total as at June 30, 2017		1,575,200	1,693,600	3,268,100	-	700	740	746	6	0.03%
Total as at June 30, 2016		5,855,600	15,359,500	19,639,900	-	1,575,200	1,712,496	1,718,958	6,462	26.00%
										32.00%

7.5.1 This will mature latest by March 26, 2020 (2016: July 19, 2017) and carry interest at the rate of 9.25% (2016: 7.75% to 11.5%) per annum.

7.5.2 These will mature latest by July 18, 2018 (2016: July 19, 2017) and carry interest at the rate of 11.5% (2016: 8.75% to 11.25%) per annum.

7.6 Loans and receivables

Particulars	Profit / mark-up rate	Maturity date	Closing balance as at June 30, 2017		Value as a percentage of net assets		Value as percentage of investments	
			(Rupees in '000)		%		%	
Term deposit receipts								
- From microfinance bank	6.5%	September 13, 2017	610,000		9.85%		20.59%	
- From commercial bank	6.75%	September 28, 2017	175,000		2.83%		5.91%	
Total as at June 30, 2017			785,000		12.68%		26.50%	
Total as at June 30, 2016			430,754		6.29%		7.91%	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	June 30, 2016
Note	----- (Rupees in '000) -----	
8. MARK-UP AND OTHER RECEIVABLES		
Accrued mark-up on:		
- Pakistan investment bonds	23	55,584
- Term finance certificates	33,708	43,593
- Deposit accounts with banks	27,763	2,609
- Margin trading system	1,106	-
- Term deposit receipt	3,400	-
Dividend receivable	1,208	3,548
Exposure deposit with National Clearing Company Pakistan Limited (NCCPL)	8,808	23,490
	<u>76,016</u>	<u>128,824</u>

9. ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposit with NCCPL	2,750	2,750
Security margin with NCCPL	15,000	-
Security deposit with Central Depository Company of Pakistan Limited	200	200
Prepaid rating fee	152	139
Advance tax	1,290	1,195
	<u>19,392</u>	<u>4,284</u>

10. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	10.1	6,778	9,976
Sales tax on management fee		881	1,397
Expenses payable to Management Company		525	666
Sales load payable		85	172
Legal and professional charges		-	2
		<u>8,269</u>	<u>12,213</u>

10.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter two percent of such assets of the Fund. In the current year, the Management Company has charged remuneration at a rate of 1.5 percent (2016: 1.5%) of the average annual net assets of the Fund.

11. PAYABLE TO THE TRUSTEE

Trustee fee	11.1	<u>563</u>	<u>681</u>
-------------	------	------------	------------

11.1 The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:

Average net asset value	Tariff per annum
Up to Rs.1 billion	Rs.0.6 million or 0.17% per annum of net assets, whichever is higher
Rs.1 billion to Rs.5 billion	Rs.1.7 million plus 0.085% p.a. of net assets exceeding Rs.1 billion
Over Rs.5 billion	Rs.5.1 million plus 0.07% p.a. of net assets exceeding Rs.5 billion

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

12. ANNUAL FEE PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (2016: 0.075%) of the average daily net assets of the Fund.

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
13. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	13.1	16,724	121,190
Federal Excise Duty payable on management fee	15	99,060	99,060
Federal Excise Duty payable on sales load		27,933	27,933
Sale load payable MCB - related party		239	-
Auditors' remuneration		609	599
Withholding tax payable		18,809	41,598
Brokerage payable		3,578	3,379
Others		2,083	2,037
		169,035	295,796

13.1 Provision for Workers' Welfare Fund

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs.0.5 million in a tax year were 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 was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan (SCP).

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 01, 2015.

On November 10, 2016 SCP has passed a judgment declaring the amendments made in the Finance Acts, 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, MUFAP (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Furthermore, as a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

- i. based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- ii. the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re. 0.29 per unit.

14. CONTINGENCIES AND COMMITMENTS

14.1 CONTINGENCIES

There were no contingencies and commitments as at June 30, 2017.

June 30, 2017	June 30, 2016
----- (Rupees in '000) -----	

14.2 COMMITMENTS

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

Margin Trading System (MTS) transactions entered into by the fund which have not been settled as at period end:

Purchase transactions

Sale transactions

292,559	440,768
110,247	-
16,689	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

15. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

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

On September 04, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

On June 30, 2016 the SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs.99.060 million (2016: Rs.99.060 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re. 1.70 per unit (2016: Re.1.53).

June 30, June 30,
2017 2016
----- (Rupees in '000) -----

16. AUDITORS' REMUNERATION

Annual audit fee	350	350
Half yearly review fee	180	180
Other certifications	150	150
	680	680
Sales tax	54	41
Out of pocket expenses	88	156
	822	877

17. TAXATION

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

18.1 In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2017, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		----- (Rupees in '000) -----			----- % -----	
New Allied Electronics Industries (Private) Limited	Term finance certificates	22,337	22,337	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	Sukuk certificates	35,063	35,063	-	0.00%	0.00%
Security Leasing Corporation Limited	Privately placed term finance certificates	5,794	5,794	-	0.00%	0.00%
Security Leasing Corporation Limited	Sukuk certificates	3,898	3,898	-	0.00%	0.00%
Saudi Pak Leasing Company Limited	Term finance certificates	27,548	27,548	-	0.00%	0.00%
					June 30, 2017	June 30, 2016
					----- (Rupees in '000) -----	

19. CASH AND CASH EQUIVALENTS

Balances with banks	3,458,357	2,130,877
Treasury bills maturing within 3 months	-	513,100
Term deposit receipts	785,000	430,754
	4,243,357	3,074,731

20. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings.

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

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

20.1 Details of transactions with connected persons are as follows:

	June 30, 2017	June 30, 2016
----- (Rupees in '000) -----		
MCB-Arif Habib Savings and Investments Limited		
Remuneration of Management Company including indirect taxes	109,811	230,408
Issuance of 3,901,975 units (2016: 499,349 units)	439,589	55,000
Redemption of 3,901,975 units (2016: 499,349 units)	440,229	55,928
Legal and professional charges	-	2
Expense allocated by Management Company and related taxes	7,730	7,279

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and settlement charges for the year	7,218	10,198
MCB Bank Limited		
Profit on deposit accounts	162	1,992
Bank charges	26	92
Purchase of securities face value Nil (2016: 1,050,000,000)	-	1,109,208
Sale of securities face value Nil (2016: 3,350,000,000)	-	4,801,103
Fatima Fertilizer Company Limited		
Purchase of shares: 3,195,500 (2016: Nil)	109,440	-
Sale of shares: 3,195,500 (2016: Nil)	110,181	-
Dividend Income	25	-
D.G.Khan Cement Company Limited		
Purchase of securities face value 3,798,000 (2016: Nil)	811,584	-
Sale of securities face value 3,791,000 (2016: Nil)	811,918	-
Dividend Income	1,536	-
Power Cement Limited		
Purchase of securities face value 603,500 (2016: Nil)	6,874	-
Sale of securities face value 603,500 (2016: Nil)	6,928	-
Nishat Mills Limited		
Purchase of securities face value 3,802,500 (2016: Nil)	621,794	-
Sale of securities face value 3,751,000 (2016: Nil)	615,795	-
Dividend Income	1,270	-
Nishat (Chunian) Limited		
Purchase of securities face value 14,250,000 (2016: Nil)	826,046	-
Sale of securities face value 13,998,000 (2016: Nil)	810,371	-
Dividend Income	8,574	-
Adamjee Insurance Company Limited		
Purchase of securities face value 1,102,000 (2016: Nil)	64,327	-
Sale of securities face value 1,102,000 (2016: Nil)	64,762	-
Silk Bank Limited		
Purchase of Government securities face value 100,000,000 (2016: 957,000,000)	105,494	953,381
Sale of Government securities face value 800,000,000 (2016: 1,032,000,000)	826,805	1,434,247
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
Issue of 446,394 units (2016: Nil units)	50,000	-
Redemption of 446,394 units (2016: Nil units)	50,069	-
Adamjee Life Assurance Company Limited - ISF		
Issue of 1,164,995 units (2016: Nil units)	125,000	-
Redemption of 1,164,995 units (2016: Nil units)	125,135	-
Adamjee Life Assurance Company Limited - ISF II		
Issue of 465,998 units (2016: Nil units)	50,000	-
Redemption of 465,998 units (2016: Nil units)	50,054	-
MCB Employees Provident Fund		
Issuance of 72,316 units (2016: 64,934 units)	7,692	6,879
Dividends paid	7,692	6,879
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
Issuance of 1,207 units (2016: 1,099 units)	128	116
Dividend paid	128	155

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Adamjee Insurance Company Limited -		
Employees Gratuity Fund		
Issue of 160,991 units (2016: Nil units)	18,146	-
Redemption of 160,991 units (2016: Nil units)	18,147	-
MCB Employees Pension Fund		
Issuance of 72,316 units (2016: 64,934 units)	7,692	6,879
Dividends paid	7,692	6,879
Sui Southern Gas Company Limited		
Purchase of shares: 14,000 (2016: Nil)	435	-
Sale of shares: 1,232,000 (2016: Nil)	34,694	-
Sui Northern Gas Company Limited		
Purchase of shares: 451,000 (2016: Nil)	20,279	-
Sale of shares: 611,500 (2016: Nil)	26,084	-
D.G Khan Cement Company Limited Employees Provident Fund Trust		
Issuance of 218 units (2016: 195 units)	23	21
Dividends paid	23	21
Adamjee Life Assurance Company Limited -		
Non-Unitised Investment Linked Fund		
Issue of 1,209,630 units (2016: 1,097,206 units)	130,000	120,000
Redemption of 1,209,630 units (2016: 1,201,372 units)	130,142	134,141
Arif Habib Limited		
Brokerage *	49	50
Next Capital Limited		
Brokerage *	292	367
Mandate Under Discretionary Portfolio Services		
Issue of 4,697,161 units (2016: 169,327 units)	528,490	18,406
Redemption of 6,097,293 units (2016: 30,159 units)	676,613	3,353
Dividends paid	2,123	13,452
Key management personnel		
Issuance of 230,731 units (2016: 115,053 units)	25,236	12,445
Redemption of 398,912 units (2016: 186,195 units)	43,286	20,330
Dividends paid	54	46
20.2 Amount outstanding as at year end are as follows:		
MCB Arif Habib Savings and Investments Limited		
Remuneration payable to Management Company	6,778	9,976
Sales tax payable on management fee	881	1,397
Sales load payable	75	151
Sales tax payable on sales load	10	21
Expense allocated by Management Company	525	666
Legal and professional charges	-	2
Central Depository Company of Pakistan Limited - Trustee		
Security deposit	200	200
Remuneration (including related taxes) and settlement charges payable	563	681
MCB Bank Limited		
Bank balance	4,936	16,385
Sale load payable	239	-
Profit receivable on deposit accounts	-	43
D.G.Khan Cement Company Limited		
Shares held: 7,000 (2016: Nil)	1,492	-

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Nishat Mills Limited		
Shares held: 51,500 (2016: Nil)	8,172	-
Nishat (Chunian) Limited		
Shares held: 252,000 (2016: Nil)	12,933	-
MCB Employees Provident Fund		
1,255,728 units held as at June 30, 2017 (2016: 1,183,412)	133,646	125,494
MCB Employees Pension Fund		
1,255,728 units held as at June 30, 2017 (2016: 1,183,412)	133,646	125,494
D.G Khan Cement Company Limited - Employees Provident Fund Trust		
3,777 units held as at June 30, 2017 (2016: 3,560 units)	402	377
Adamjee Life Assurance Company Limited - Employees Gratuity Fund		
27,549 units held as at June 30, 2017 (2016: 26,342)	2,932	2,793
Mandate Under Discretionary Portfolio Services		
331,381 units held as at June 30, 2017 (2016: 1,731,512 units)	35,269	184,284
Sui Southern Gas Company Limited		
Nil shares held as at June 30, 2017 (2016: 1,218,000 units)	-	33,532
Sui Northern Gas Company Limited		
Nil shares held as at June 30, 2017 (2016: 160,500)	-	5,825
Key management personnel		
9,704 units held as at June 30, 2017 (2016: 177,885 units)	1,033	18,864
Arif Habib Limited		
Brokerage payable	26	-
Next Capital Limited		
Brokerage payable	79	33
Unit holders holding 10% or more units		
** Gul Ahmed Energy Limited		
Units in issue 6,667,860 (2016: Nil)	709,656	-

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

** Unit holding as at June 30, 2016 is less than 10%.

21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

		June 30, 2017	
	Designation	Experience in years	Qualification
Mr. Muhammad Saqib Saleem	Chief Executive Officer	20	FCA & FCCA
Mr. Muhammad Asim	Chief Investment Officer	14	MBA & CFA
Mr. Saad Ahmed	Portfolio Manager – Fixed Income Fund	12	MBA
Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	13	MA, CFA Level I
Mr. Awais Abdul Sattar	Senior Research Analyst	6	MBA & CFA

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	June 30, 2017 %
1 Adam Securities (Private) Limited	13.90
2 JS Global Capital Limited	13.35
3 ABA Ali Habib Securities (Private) Limited	13.11
4 Efg Hermes Pakistan Limited	11.49
5 MRA Securities Limited	10.92
6 Top Line Securities (Private) Limited	6.82
7 Intermarket Securities Limited	6.78
8 BIPL Securities Limited	3.61
9 Mutiline Securities (Private) Limited	3.53
10 Ismail Iqbal Securities (Private) Limited	3.08
	June 30, 2016 %
1 Adam Securities (Private) Limited	18.70
2 Invest Capital Markets Limited	15.85
3 JS Global Capital Limited	10.54
4 Invest and Finance Securities Limited	9.95
5 Axis Global Limited	7.02
6 Intermarket Securities Limited	6.60
7 Top Line Securities (Private) Limited	4.71
8 BMA Capital Management Limited	3.28
9 Invest One Markets (Private) Limited	2.28
10 C and M Management (Private) Limited	2.19

23. PATTERN OF UNIT HOLDINGS

	As at June 30, 2017			
	Number of unit holders	Number of units held	Net asset value of the amount invested Rupees '000	Percentage investment %
Individuals	2,625	36,401,532	3,874,663	62.60%
Associated companies / Directors	4	2,542,783	270,660	4.37%
Banks / DFIs	1	231,668	24,659	0.40%
Retirement funds	25	2,116,071	225,239	3.64%
Public limited companies	4	6,272,862	667,698	10.79%
Others	52	10,593,463	1,126,842	18.20%
	2,711	58,158,379	6,189,761	100.00%
	As at June 30, 2016			
	Number of unit holders	Number of units held	Net asset value of the amount invested Rupees '000	Percentage investment %
Individuals	3,595	53,351,274	5,657,599	82.61%
Associated companies / Directors	4	2,396,726	254,159	3.71%
Banks / DFIs	1	232,761	24,683	0.36%
Retirement funds	38	4,319,239	458,031	6.69%
Public limited companies	1	81	9	0.00%
Others	53	4,283,035	454,191	6.63%
	3,692	64,583,116	6,848,672	100.00%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, 126th, 127th, 128th, 129th, 130th, 131st, 132nd, and 133rd Board meetings were held on July 12, 2016, August 05, 2016, August 15, 2016, October 21, 2016, February 02, 2017, March 20, 2017, April 21, 2017 and May 12, 2017 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of persons attending the meetings	No. of meetings held	Number of Meetings			Meeting not attended
		Attendance required	Attended	Leave granted	
Mian Muhammad Mansha	8	8	1	7	126th, 128th, 129th, 130th, 131st, 132nd, 133rd
Nasim Beg	8	8	6	2	127th, 130th
Muhammad Saqib Saleem	8	8	8	-	-
Salman Shah	8	8	7	1	126th
Haroon Rashid	8	8	2	6	126th, 127th, 128th, 130th, 131st, 132nd
Ahmed Jahangir	8	8	8	-	-
Samad A. Habib	8	8	5	3	128th, 129th, 131st
Mirza Mehmood	8	5	1	4	130th, 131st, 132nd, 133rd
Mirza Qamar Beg	8	3	3	-	-

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.

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

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

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 SECP and the NBFC Regulations, The NBFC Rules.

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

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 were carried out in Pak Rupees.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukus 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 sukus, 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.18.852 million (2016: Rs.15.980 million).

The fund is also exposed to interest rate risk on bank deposits. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would be higher / lower by Rs.34.58 million (June 30, 2016: Rs.21.31 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2017, the Fund holds Market treasury bills and Pakistan investment bonds which are classified 'at fair value through profit or loss' - held-for-trading and available-for-sale exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2017, with all other variables held constant, total comprehensive income for the year and net assets would be lower by Rs.0.1211 million (2016: lower by Rs.40.610 million). In case of 100 basis points decrease in rates announced by FMAP on June 30, 2017, with all other variables held constant, total comprehensive income for the year and net assets would be higher by Rs.0.1207 million (2016: higher by Rs.41.54 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, 2017 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.

June 30, 2017						
	Yield / effective interest rate (%)	Exposed to yield / interest rate risk				Total
		Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75 - 8	3,458,357	-	-	-	3,458,357
Investments classified:						
At fair value through profit or loss'						
- held-for-trading						
- Government securities	5.85	249,225	-	-	-	249,225
	6 months					
	KIBOR +0.5% to					
	6 months					
- Listed debt securities	KIBOR + 2.25% 6 months	-	-	736,400	-	736,400
	KIBOR +0.75%					
- Unlisted debt securities	to 15%	-	-	903,393	-	903,393
- Listed equity securities		-	-	-	287,648	287,648
Available-for-sale						
- Government securities	9.25 - 11.50	-	-	746	-	746
Loans and Receivables						
-Term Deposit Receipts	6.5 - 6.75	785,000	-	-	-	785,000
		1,034,225	-	1,640,539	287,648	2,962,412
Fair value of derivative asset		-	-	-	2,643	2,643
Mark-up and other receivables		-	64,894	-	11,122	76,016
Deposits		-	-	-	17,950	17,950
		4,492,582	64,894	1,640,539	319,363	6,517,378
Financial Liabilities						
Payable to the Management Company		-	-	-	7,388	7,388
Payable to the Trustee		-	-	-	498	498
Payable against redemption of units		-	-	-	18,964	18,964
Payable against purchase of investments (equity)		-	-	-	290,093	290,093
Accrued and other liabilities		-	-	-	5,566	5,566
		-	-	-	322,509	322,509
On-balance sheet gap						
		4,492,582	64,894	1,640,539	(3,146)	6,194,869

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

June 30, 2016						
	Yield / effective interest rate (%)	Exposed to Yield/ Interest rate risk				Total
		Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75 - 6.25	2,130,877	-	-	-	2,130,877
Investments classified:						
At fair value through profit or loss'						
- held-for-trading						
- Government securities	5.06 - 5.96	513,100	198,982	-	-	712,082
	6 months KIBOR					
	+0.5% to 6					
	months KIBOR +					
	2.25%	-	-	1,008,726	-	1,008,726
- Listed debt securities	6 months KIBOR					
	+0.75% to 15%	-	-	1,139,767	-	1,139,767
- Unlisted debt securities		-	-	-	435,855	435,855
- Listed equity securities						
Available-for-sale						
- Government securities	7.75 - 12.00	-	-	1,718,958	-	1,718,958
Loans and Receivables						
- Term Deposit Receipts	6.40	430,754	-	-	-	430,754
		943,854	198,982	3,867,451	435,855	5,446,142
Fair value of derivative asset		-	-	-	5,855	5,855
Mark-up and other receivables		-	101,786	-	27,038	128,824
Deposits		-	-	-	2,950	2,950
		3,074,731	300,768	3,867,451	471,698	7,714,648
Financial Liabilities						
Payable to the Management Company		-	-	-	10,816	10,816
Payable to the Trustee		-	-	-	597	597
Payable against redemption of units		-	-	-	9,332	9,332
Payable against purchase of investments (money market)		-	-	-	497,520	497,520
Payable against purchase of investments (equity)		-	-	-	43,056	43,056
Accrued and other liabilities		-	-	-	5,854	5,854
		-	-	-	567,175	567,175
On-balance sheet gap		3,074,731	300,768	3,867,451	(95,477)	7,147,473

25.1.3 Other price risk

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

In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2017, the net assets of the Fund would increase / decrease by Rs.82.189 million (2016: Rs.107.34 million), as a result of reduction / increase in unrealized gains / (losses).

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in note 7.2.

At June 30, 2017, the fair value of equity securities exposed to price risk is disclosed in note 7.2.

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

	June 30, 2017	June 30, 2016
	----- (Rupees) -----	
<i>Effect due to increase / decrease in KSE 100 index</i>		
Investment and net assets	14,382	21,793
Income statement	14,382	21,793

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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.

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2017 and June 30, 2016 is the carrying amounts of following financial assets.

	June 30, 2017	June 30, 2016
	(Rupees in '000)	
Balances with banks	3,458,357	2,130,877
Investments	2,424,793	2,579,247
Mark-up and other receivables	67,185	49,750
Fair value of derivative asset	2,643	5,855
	5,952,978	4,765,729

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

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2017 and June 30, 2016.

Bank Balances by rating category

	----- % -----	
AA+ / A1+	66.84%	36.09%
A+ / A1	9.45%	0.00%
A+ / A2	9.54%	0.00%
A / A1	4.70%	0.00%
AAA / A1+	0.22%	0.77%
AA- / A1+	9.25%	0.44%
AA / A1+	0.00%	62.70%
	100.00%	100.00%

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates and sukuks, term deposit receipts and government securities as at June 30, 2017 and June 30, 2016:

Investments by rating category

	----- % -----	
Government Securities	9.35%	48.52%
AAA, AAA-, AAA+	42.85%	16.08%
AA, AA-, AA+	45.99%	33.86%
A, A-, A+	1.81%	1.51%
BBB	0.00%	0.00%
Non - performing, Unrated	0.00%	0.03%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Investment in fixed income securities

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

Receivables against sale of units

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

Advances and deposits

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

Concentration of credit risk

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

Settlement risk

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

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 the NBFC Regulations the maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund and bear interest at commercial rates.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

	As at June 30, 2017			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one
	(Rupees in '000)			
Liabilities				
Payable to the Management Company	7,388	7,388	-	-
Payable to the Trustee	498	498	-	-
Payable against redemption of units	18,964	18,964	-	-
Payable against purchase of investments (equity)	290,093	290,093	-	-
Accrued and other liabilities	5,566	3,578	1,988	-
Total liabilities	322,509	320,521	1,988	-

	As at June 30, 2016			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one
	(Rupees in '000)			
Liabilities				
Payable to the Management Company	10,816	10,816	-	-
Payable to the Trustee	597	597	-	-
Payable against redemption of units	9,332	9,332	-	-
Payable against purchase of investments (money market)	497,520	497,520	-	-
Payable against purchase of investments (equity)	43,056	43,056	-	-
Accrued and other liabilities	5,854	3,379	2,475	-
Total liabilities	567,175	564,700	2,475	-

25.4 Financial instruments by category

	As at June 30, 2017			
	Loans and Receivables	At fair value through profit or loss' - held-for-trading	Available-for-sale	Total
	(Rupees in '000)			
Assets				
Balances with banks	3,458,357	-	-	3,458,357
Investments	785,000	2,176,666	746	2,962,412
Mark-up and other receivables	76,016	-	-	76,016
Fair value of derivative asset	2,643	-	-	2,643
Deposits	17,950	-	-	17,950
	4,339,966	2,176,666	746	6,517,378

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

As at June 30, 2017			
	At fair value through profit or loss' - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	7,388	7,388
Payable to the Trustee	-	498	498
Payable against redemption of units	-	18,964	18,964
Payable against purchase of investments (equity)	-	290,093	290,093
Accrued and other liabilities	-	5,566	5,566
	-	322,509	322,509

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

As at June 30, 2016			
	At fair value through profit or loss' - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	10,816	10,816
Payable to the Trustee	-	597	597
Payable against redemption of units	-	9,332	9,332
Payable against purchase of investments (money market)	-	497,520	497,520
Payable against purchase of investments (equity)	-	43,056	43,056
Accrued and other liabilities	-	5,854	5,854
	-	567,175	567,175

25.5 Fair value of financial instruments

Fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

The following table shows financial instruments recognised at fair value, analysed between those whose fair value is based on:

Level 1: Quoted prices in active markets for identical assets or liabilities;

Level 2: Those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: Those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The table below analyse financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

June 30, 2017				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss'				
- held-for-trading				
Government securities	-	249,225	-	249,225
Listed equity securities	287,648	-	-	287,648
Listed debt securities	-	736,400	-	736,400
Unlisted debt securities	-	903,393	-	903,393
	287,648	1,889,018	-	2,176,666
Financial assets classified as 'available-for-sale'				
Government securities	-	746	-	746
	287,648	1,889,764	-	2,177,412
June 30, 2016				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets 'at fair value through profit or loss'				
- held-for-trading				
Government securities	-	712,082	-	712,082
Listed equity securities	435,855	-	-	435,855
Listed debt securities	-	1,008,726	-	1,008,726
Unlisted debt securities	-	1,139,767	-	1,139,767
	435,855	2,860,575	-	3,296,430
Financial assets classified as 'available-for-sale'				
Government securities	-	1,718,958	-	1,718,958
	435,855	4,579,533	-	5,015,388

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

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

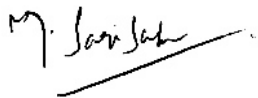
27. GENERAL

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

28. DATE OF AUTHORISATION FOR ISSUE

These These financial statements were authorized for issue on August 04, 2017 by the Board of Directors of the Management Company.

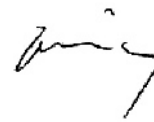
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
MCB EMPLOYEES PROVIDENT FUND (PAK STAFF)	1	1,255,728
MCB EMPLOYEES PENSION FUND	1	1,255,728
ADAMJEE LIFE ASSURANCE COMPANY LIMITED-EMPLOYEES GRATUITY FUND	1	27,549
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	3,777
Mutual Funds		
-- (Name Wise)		
Directors and their spouse (s) and minor children		
Executives	2	9704
Public sector companies and corporations	4	6,272,862
Banks, Development Finance Institutios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	6	633,126
Unitholders holding 5 percent or more Voting interest in the listed company		
Gul Ahmed Energy limited	1	6,667,860
Millat Tractors Limited	1	4,699,968
Others	2,693	37,332,077
	2,711	58,158,379

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2017**

No. of Unit Holder	Unit holdings	Total Units Held
1937	1-10000	5,867,212
711	10001-100000	18,595,689
56	100001-1000000	15,936,155
7	1000001 onwards	17,759,323
2,711		58,158,379

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2017

Performance Information	2017	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	6,190	6,848.67	11,272.81	11,101.99	11,319.75
Net Assets value per unit – Rupees	106.43	106.04	105.60	101.10	103.7
Closing Offer Price	108.23	108.19	107.76	103.19	105.79
Closing Repurchase Price	106.43	106.04	105.60	101.10	103.65
Highest offer price per unit	114.78	114.35	116.26	107.07	105.99
Lowest offer price per unit	107.64	107.82	103.19	101.11	103.02
Highest Redemption price per unit	112.87	112.08	113.93	104.91	104.40
Lowest Redemption price per unit	105.82	105.68	101.13	100.99	101.48
Distribution per unit – Rs. *	6.50	6.15	8.27	13.05	7.41
Average Annual Return - %					
One year	6.50	6.23	12.64	10.79	9.80
Two year	6.37	9.44	11.72	10.30	10.30
Three year (inception date Mar 01, 2007)	8.46	9.89	11.08	10.46	11.17
Net Income for the year – Rs. in million	289.032	414.66	1,104.77	1,091.30	880.41
Distribution made during the year – Rs. in million	259.451	365.80	727.46	1,372.22	639.55
Accumulated Capital Growth – Rs. in million	29.58	48.86	377.31	(280.92)	46.73
Weighted average Portfolio Duration (years)	1.6	2.8	2.2	1.6	1.1

* Date of Distribution

2017	
Date	Rate
June 22, 2017	6.50

2016	
Date	Rate
June 27, 2016	6.15

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

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

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

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.

MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,
URL: www.mcbah.com, Email: info@mcbah.com