

## Annual Report 2015



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# PAKISTAN INCOME FUND

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

AM2 Plus by PACRA

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	Mian Muhammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Mr. Yasir Qadri	Chief Executive Officer
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
	Mr. Yasir Qadri	Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited United Bank Limited Bank Al-Falah Limited NIB Bank Limited Standard Chartered Bank Pakistan Limited Habib Metropolitan Bank Limited Faysal Bank Limited Allied Bank Limited Deutsche Bank Limited	
<b>Auditors</b>	Deloitte Yousuf Adil Chartered Accountants Cavish Court, A-35, Block 7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-75350	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	AM2 + Management Quality Rating assigned by PACRA	

## REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

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On behalf of the Board of Directors, I am pleased to present Pakistan Income Fund's accounts review for the year ended June 30th, 2015.

### ECONOMY AND MONEY MARKET OVERVIEW

Lower oil prices benefited the country in the form of improving macroeconomic indicators during FY15. Average annual inflation remained significantly below the target, foreign exchange reserves improved, Current account deficit narrowed down and GDP growth marginally increased.

As oil prices stood around \$63 per barrels at the end of June, 2015 in the international market, the Brent crude has nearly halved in price since its peak of around \$114 a barrel touched in June, 2014. Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 4.56% in FY15 as opposed to the average inflation of 8.6% in FY14.

While the country's current account deficit summed to \$2.28 billion at the end of FY15 as opposed to deficit of \$ 3.13 billion in FY14. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from growth in remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was annulled by volumetric increase in imports in other segments. Exports remained weak in consideration of disruptive power supplies, weak competitiveness and a weak demand outlook in export destinations particularly Europe. Workers' Remittances totaled to \$ 18.45 billion in FY15, marking a growth of 17 percent as compared to last year.

At the same time, financial account registered a surplus of \$ 4.52 billion as compared to a surplus of \$ 5.55 billion recorded during the last year. This is mainly due to lower Direct Investments and Portfolio investments in the country.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, successful continuation of IMF program, privatization proceeds, Sukuk auction and lower oil bill. The reserves stood at around \$ 18.7 billion at the end of June, increased by around \$4 billion in FY15.

Keeping in view of subsiding inflationary pressure along with improving outlook on the balance of payment, the State Bank announced successive cuts in the discount rate in the monetary policy held in November, January, March and May, bringing the discount rate to 7 percent from 10 percent at the start of the year.

With the country battling with power crisis and poor infrastructure, commitment of \$47 billion in the form of investments in the power and infrastructure sectors by Chinese president in April-2015 is expected to provide an impetus to resource mobilization and economic activity for Pakistan. Pace of progress along with extent of domestic partnerships on key development projects shall however be critical for achieving the desired impact on economy over the next 3 years.

All these positives developments led to the improvement in the country's rating outlook by the international rating agencies. Moody's Investors Service has upgraded Pakistan to the 'B-3' category. While Standard and Poor's (S&P) ratings' agency has raised Pakistan's credit rating to positive, with rating reaffirmed at B-.

M2 has expanded by 12.3 percent during FY15 (till June 26, 2015) as opposed to 11.43% in FY14 with stable contribution from NFA. At the same time, the net borrowing from the banking system increased by Rs 1,001 billion as opposed to Rs 373 billion during the previous year.

Treasury market remained quite active during the year, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity which was supported by SBP through frequent OMO injections. In order to efficiently manage market liquidity, SBP introduced a target rate; 50bps below the ceiling rate (Discount rate). Moreover, to reduce volatility, policy makers also reduced the width of the interest rate corridor by 50 bps to 200 bps.

### FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 11.31% as against its benchmark return of 10.43%.

In order to capitalize on changing interest rate scenario during the year, post bearish outlook on oil prices, fund increased its exposure in PIBs during 1H FY15. Subsequently, exposure was strategically reduced in PIBs in later half of FY15 to book gains and exposure was shifted towards T-bills. At period-end, the fund was invested 17.0% in PIBs vis-à-vis 35.5% at the beginning, 20.5% in TFCs vis-à-vis beginning allocation of 35.5% and 41.2% in T-bills vis-à-vis beginning allocation of 0.0%.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 1,131 million as compared to Rs 1,008 million as at June 30, 2014 registering an increase of 12.2%.

The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 53.42 as compared to opening NAV of Rs. 52.04 per unit as at June 30, 2014 registering an increase of Rs. 1.38 per unit.

## REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

### Income Distribution

During the period, the Management Company has announced the final distribution:

Date of distribution	Per unit distribution
	Rs.
June 22, 2015	4.50

### FUTURE OUTLOOK

On the back of weak crude oil prices, average CPI is expected to remain in lower range of around 6% in FY16. Forex Reserves are also expected to remain strong with the continued focus of government on privatization plans. Moreover, the government aims to raise \$1 billion by issuing Eurobond and planning to borrow \$1 billion from Islamic Development Bank (IDB) in FY16. The agreement with China for investment in infrastructure and energy projects is likely to support the weak FDI and shall be the key to rejuvenate economic activity.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies will continue to perform. While improvement in Pakistan's sovereign outlook and possible reclassification of Pakistan to emerging market by MSCI will support appetite for Large Cap stocks.

### Corporate Governance

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

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting 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.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 22 to the attached financial statements. Below is the details of committee meetings held during the year ended June 30, 2015:

## REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

### 1. Meeting of the Audit Committee.

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

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

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

During the year, two (2) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

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

- m. During the year no Director has attended the Directors' Training Program organized by the Pakistan Institute of Corporate Governance (as already all the directors have completed the course or they are exempted from attending training course due to sufficient working experience).
- n. The trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	-	-	-
2.	Yasir Qadri	Chief Executive Officer	-	-	48.849
3.	Mr. Saqib Saleem	Chief Financial Officer & Company Secretary	-	-	-
4.	Asif Mehdi Rizvi	Head of Internal Audit	-	-	-

## REPORT OF THE DIRECTOR OF MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2015

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### External Auditors

The fund's external auditors, Deloitte Yousuf Adil., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2016. The audit committee of the Board has recommended reappointment of Deloitte Yousuf Adil., Chartered Accountant as auditors of the fund for the year ending June 30, 2016.

### 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.

For and on behalf of the board



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Yasir Qadri  
Chief Executive Officer  
Karachi: August 07, 2015



## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

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### **Fund Type and Category**

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

### **Fund Benchmark**

The benchmark for 75% 6Month's KIBOR+ 25% 3Months` PKRV.

### **Investment Objective**

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

### **Manager's Review**

During the period under review, the fund generated an annualized return of 11.31% as against its benchmark return of 10.43%.

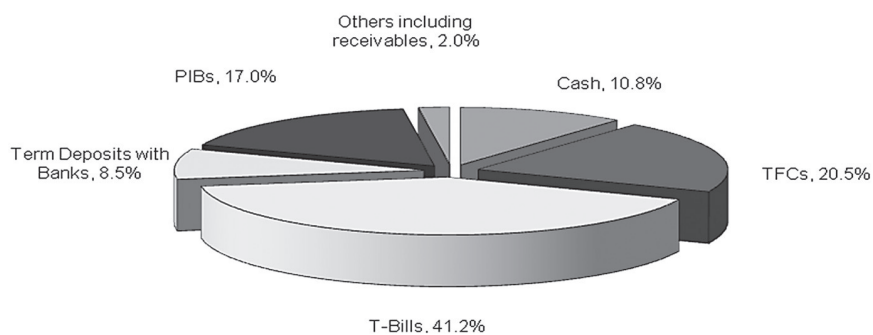
The funds significantly increases its exposure in PIBs in the 1HFY15 in order to capitalize on positive economy outlook, low inflation, bearish outlook on commodity prices specifically oil and declining interest rate scenario. Subsequently, exposure was strategically reduced in PIBs in later half of FY15 to book gains and exposure was shifted towards T-bills. At period-end, the fund was invested 17.0% in PIBs vis-à-vis 35.5% at the beginning, 20.5% in TFCs vis-à-vis beginning allocation of 35.5% and 41.2% in T-bills vis-à-vis beginning allocation of 0.0%, the fund also placed TDR for shorter tenure on competitive rate which holds the allocation of 8.50% and 10.80% has been kept as cash deposits.

The Net Assets of the Fund as at June 30, 2015 stood at Rs. 1131 million as compared to Rs 1008 million as at June 30, 2014 registering an increase of 12.2%.

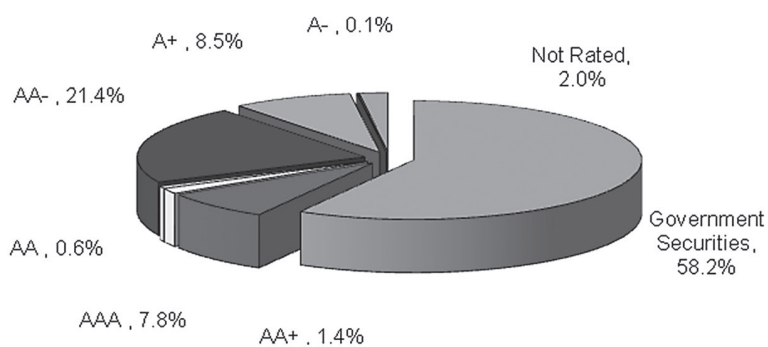
The Net Asset Value (NAV) per unit as at June 30, 2015 was Rs. 53.42 as compared to opening NAV of Rs. 52.04 per unit as at June 30, 2014 registering an increase of Rs. 1.38 per unit.

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2015

### Asset Allocation as on June 30, 2015 (% of total assets)



### Asset Quality as of June 30, 2015 (% of total assets)



Usama Iqbal  
Fund Manager

Karachi: August 07, 2015

# TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office

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



## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2015 in accordance with the provisions of the following:

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

  
**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: October 1, 2015



## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Income Fund (the Fund) to comply with the Code of Corporate Governance contained in Regulation no. 35 of listing regulation of Karachi Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

Category	Names
Independent Directors	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Nasim Beg – Executive Vice Chairman 2. Mr. Yasir Qadri – Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

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

2. The Directors have confirmed that none of them is serving as a director in more than seven listed companies, including the Management Company (excluding the listed subsidiaries of listed holding companies, where applicable)
3. All the resident Directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member 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 Management Company
5. The Management Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the Management Company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. No formal Code of Corporate Governance Leadership Skills (CGLS) training was organized for any director as all the directors already possess required training or qualification and experience as required by CCG.
10. The Board of Directors in a resolution passed through circulation on March 30, 2015, appointed Chief Financial Officer and fixed his remuneration and terms and conditions of employment. However, there have been no new appointments of Company Secretary and Head of Internal Audit during the year.
11. The Directors' Report for the year ended June 30, 2015 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units other than that disclosed in the pattern of unit holding.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2015

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14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of three members, all of whom are non-executive directors and the chairman of the Committee is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of the interim and final results and as required by the Code. The terms of reference of the Committee have been approved by the Board and advised to the Committee for compliance.
17. The Board has formed a Human Resource and Remuneration Committee. It comprises of five members, of whom three are non-executive directors and the chairman of the Committee is an independent director.
18. The Board has set up an effective internal audit function. The Head of Internal Audit is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Fund and the Management Company.
19. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done by the board in the meeting held on August 07, 2015.
20. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares / units of the Management Company / Fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by the ICAP.
21. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
22. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the net assets value of the fund / market price of Management Company's shares, was determined and intimated to directors, employees and the stock exchange.
23. Material/price sensitive information has been disseminated among all market participants at once through the stock exchange.
24. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



**Yasir Qadri**  
**Chief Executive Officer**

Karachi: August 07, 2015

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

## Deloitte.

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

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Fax: +92 (0) 21- 3454 1314

[www.deloitte.com](http://www.deloitte.com)

### REVIEW REPORT TO THE MEMBERS ON THE STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of **MCB-Arif Habib Savings & Investments Limited**, the Management Company of **Pakistan Income Fund (the Fund)** for the year ended June 30, 2015 to comply with the respective listing regulations of the Karachi Stock Exchange where the Fund is listed.

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

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

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

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended June 30, 2015.



Chartered Accountants

Karachi  
Date: August 07, 2015

Member of  
**Deloitte Touche Tohmatsu Limited**



# INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2015

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**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan  
Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314  
[www.deloitte.com](http://www.deloitte.com)

## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### *REPORT ON THE FINANCIAL STATEMENTS*

We have audited the accompanying financial statements of **Pakistan Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2015, and the income statement, distribution statement, statement of movements in unit holder's fund, cash flow statement and a summary of significant accounting policies together and other explanatory notes.

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

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

#### *Auditors' responsibility*

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

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

Member of  
**Deloitte Touche Tohmatsu Limited**

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS  
FOR THE YEAR ENDED JUNE 30, 2015**

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**Deloitte.**

**Deloitte Yousuf Adil**  
Chartered Accountants

***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Fund's financial position as at June 30, 2015 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

***REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS***

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

  
Chartered Accountants

**Engagement Partner**  
Mushtaq Ali Hirani

**Date: August 07, 2015**  
**Karachi**

Member of  
**Deloitte Touche Tohmatsu Limited**



# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>ASSETS</b>			
Balances with banks	5	226,662	263,245
Investments	6	924,942	703,027
Profit receivable	7	15,932	29,466
Advance, deposit and prepayments	8	8,580	42,043
<b>Total assets</b>		<b>1,176,116</b>	<b>1,037,781</b>
<b>LIABILITIES</b>			
Payable to the Management Company		1,859	1,631
Payable to the Central Depository Company of Pakistan Limited - Trustee		174	167
Payable to the Securities and Exchange Commission of Pakistan		794	757
Payable on redemption of units		47	1,414
Accrued expenses and other liabilities	9	41,794	25,994
<b>Total liabilities</b>		<b>44,668</b>	<b>29,963</b>
<b>NET ASSETS</b>		<b>1,131,448</b>	<b>1,007,818</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>1,131,448</b>	<b>1,007,818</b>
<b>Contingencies and Commitments</b>	10		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>21,181,575</b>	<b>19,364,435</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>	4.13	<b>53.42</b>	<b>52.04</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

  
Chief Executive Officer

  
Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014
<b>INCOME</b>			
Income from government securities		65,297	55,975
Income from term finance certificates		36,064	50,752
Profit on bank deposits		8,645	6,502
Capital gain / (loss) on sale of investments - net		24,988	(1,139)
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	6.6	4,792	5,059
<b>Total income</b>		<b>139,786</b>	<b>117,149</b>
<b>EXPENSES</b>			
Remuneration of Management Company	11	15,876	15,145
Sales tax and Federal Excise Duty on remuneration of Management Company		5,302	5,234
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	1,750	1,704
Securities and Exchange Commission of Pakistan - annual fee	13	794	757
Legal, professional and other charges		863	265
Settlement and bank charges		429	496
Fees and subscription		290	217
Auditors' remuneration	14	614	589
Printing and related costs		124	31
(Reversal) / provision against non-performing investments - net	6.2 & 6.3	(1,873)	2,014
<b>Total expenses</b>		<b>24,169</b>	<b>26,452</b>
<b>Net income from operating activities</b>		<b>115,617</b>	<b>90,697</b>
Element of gain / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - net		1,464	(523)
Provision for Workers' Welfare Fund	9.1	(2,342)	(12,119)
<b>Net income for the year before taxation</b>		<b>114,739</b>	<b>78,055</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>114,739</b>	<b>78,055</b>
<b>Other comprehensive income for the year</b>			
<i>Items that may be classified to profit and loss account</i>			
Unrealised (diminution) / appreciation in value of investments classified as 'available for sale' - net		(1,525)	107
<b>Total comprehensive income for the year</b>		<b>113,214</b>	<b>78,162</b>
<b>Earnings per unit</b>	4.12	-	-

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

  
Chief Executive Officer

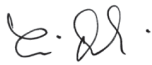
  
Director

# DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2014

	2015	2014
	(Rupees in '000)	
Undistributed income brought forward:		
- Realised gains	13,339	78,823
- Unrealised gain / (losses)	26,336	(13,900)
	39,675	64,923
Net element of gain / (loss) and capital gains / (losses) for the year included in prices of units issued less those in units redeemed - transferred to the Distribution Statement	4,453	(2,359)
Total comprehensive income for the year	113,214	78,162
	117,667	75,803
<b>Distributions</b>		
Final bonus distribution for the year ended June 30, 2013 at Rs. 1.16 per unit (Date of distribution: July 4, 2013)	-	(23,828)
Interim distribution of bonus units for the quarter ended September 30, 2013 at Rs 0.86 per unit (Date of distribution: September 27, 2013)	-	(16,635)
Interim distribution of bonus units for the half year ended December 31, 2013 at Rs 1.93 per unit (Date of distribution: December 26, 2013)	-	(18,827)
Interim distribution of bonus units for the nine months ended March 31, 2014 at Rs 1.11 per unit (Date of distribution: March 27, 2014)	-	(21,006)
Final distribution of bonus units for the year ended June 30, 2014 at Rs. 1.09 per unit (date of distribution: June 27, 2014)	-	(20,755)
Final distribution for the year ended June 30, 2015 at Rs 4.50 per unit (Date of distribution: June 22, 2015)	(84,894)	-
	(84,894)	(101,051)
<b>Undistributed income carried forward</b>	72,448	39,675
<b>Represented by</b>		
- Realised gains	49,206	13,339
- Unrealised gains	23,242	26,336
	72,448	39,675

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

  
Chief Executive Officer

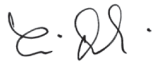
  
Director

# STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND FOR THE YEAR ENDED JUNE 30, 2015

	2015 (Rupees in '000)	2014
Net assets at beginning of the year	1,007,818	1,091,897
Issue of 9,950,843 units (2014: 1,579,853 units) <i>(including 1,400,182 units (2014: Nil units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 74.77 million - net of tax)</i>	550,654	85,647
Redemption 8,133,703 of units (2014: 4,701,355 units)	(453,880)	(248,411)
Issue of nil bonus units (2014: 1,944,334)	-	101,051
	96,774	(61,713)
Element of (gain) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed		
amount representing (gain)/ loss and capital (gains) / losses - transferred to the Income Statement - net	(1,464)	523
amount representing (gain)/ loss and capital (gains) / losses that form part of unit holders' fund - transferred to the Distribution Statement - net	(4,453)	2,359
	(5,917)	2,882
Net income for the year transferred from the Distribution Statement		
Capital gain / (loss) on sale of investments	24,988	(1,139)
Unrealised appreciation on re-measurement of investment classified as 'financial assets at fair value through profit or loss' - net	4,792	5,059
Other net operating income	84,959	74,135
Net element of gain / (loss) and capital gain / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	4,453	(2,359)
	119,192	75,696
Distributions made during the year (refer Distribution Statement)	(84,894)	(101,051)
Unrealised (diminution) / appreciation on re-measurement of investment classified as 'available for sale' - net	(1,525)	107
<b>Net assets at end of the year</b>	<b>1,131,448</b>	<b>1,007,818</b>
	(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>21,181,575</b>	<b>19,364,435</b>
	(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>	<b>53.42</b>	<b>52.04</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

  
Chief Executive Officer

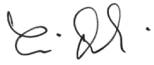
  
Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2015

	Note	2015 (Rupees in '000)	2014 (Rupees in '000)
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year		114,739	78,055
<b>Adjustments for:</b>			
Unrealised appreciation in value of investments classified as 'at fair value through profit or loss' - net		(4,792)	(5,059)
Element of (gain) / loss and capital (gain) / loss included in prices of units issued less those in units redeemed - net		(1,464)	523
Provision for Worker's Welfare Fund		2,342	12,119
(Reversal) / provision against non-performing investments - net		(1,873)	2,014
		<b>108,952</b>	<b>87,652</b>
<b>(Increase) / decrease in assets</b>			
Investments made - net		(216,775)	(128,798)
Profit receivable		13,534	(7,370)
Advance, deposit and prepayments		33,463	(33,595)
		<b>(169,778)</b>	<b>(169,763)</b>
<b>Increase / (decrease) in liabilities</b>			
Payable to the Management Company		228	(151)
Payable to the Central Depository Company of Pakistan Limited - Trustee		7	12
Payable to the Securities and Exchange Commission of Pakistan		37	(199)
Accrued expenses and other liabilities		12,091	3,752
		<b>12,363</b>	<b>3,414</b>
<b>Net cash used in operating activities</b>	<b>A</b>	<b>(48,463)</b>	<b>(78,697)</b>
<b>B. CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Dividend paid		(84,894)	-
Cash received from sale of units		550,654	85,647
Cash paid for redemption of units		(453,880)	(248,411)
<b>Net cash generated from / (used in) financing activities</b>	<b>B</b>	<b>11,880</b>	<b>(162,764)</b>
<b>Net decrease in cash and cash equivalents during the year</b>	<b>(A+B)</b>	<b>(36,583)</b>	<b>(241,461)</b>
Cash and cash equivalents at beginning of the year		263,245	504,706
<b>Cash and cash equivalents at end of the year</b>		<b>226,662</b>	<b>263,245</b>

The annexed notes from 1 to 26 form an integral part of these financial statements.

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

  
Chief Executive Officer

  
Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Pakistan Income Fund ("the Fund") was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Security and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 1.2** The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.
- 1.3** The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.
- 1.4** 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.
- 1.5** The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2+ dated April 07, 2015 to the Management Company and "A+(f)" as stability rating dated March 19, 2015 to the Fund.
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2. STATEMENT OF COMPLIANCE

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

### 2.2 New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2015

The following standards, amendments and interpretations are effective for the year ended June 30, 2015. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

Standards / amendments / interpretation	Effective date (accounting period beginning on or after)
Amendments to IAS 32 Financial Instruments: Presentation - Offsetting financial assets and financial liabilities	January 01, 2014
IAS 39 Financial Instruments: Recognition and measurement - Novation of derivatives and continuation of hedge accounting	January 01, 2014
IFRIC 21 - Levies	January 01, 2014

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Standards / amendments / interpretation	Effective date (accounting period beginning on or after)
IAS 27 (Revised 2011) – Separate Financial Statements	January 01, 2015
IAS 28 (Revised 2011) – Investments in Associates and Joint Ventures	January 01, 2016
IFRS 10 – Consolidated Financial Statements	January 01, 2015
IFRS 11 – Joint Arrangements	January 01, 2015
IFRS 12 – Disclosure of Interests in Other Entities	January 01, 2015
IFRS 13 – Fair Value Measurement	January 01, 2015

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

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

## 3. BASIS OF PREPARATION

### 3.1 Accounting convention

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

### 3.2 Critical accounting estimates and judgments

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

The area where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (note 4.1 and 4.4).

### 3.3 Functional and presentation currency

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

## 4. SUMMARY OF ACCOUNTING POLICIES

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

### 4.1 Financial assets

The Fund classifies its financial assets in the following categories:

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

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

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

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

### **b) 'Available-for-sale'**

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

### **c) Loans and receivables**

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

### **Recognition**

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

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

### **Measurement**

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

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

### **Fair value measurement principles**

Investment in debt securities are valued at the rates determined and notified by Mutual Funds Association of Pakistan (MUFAP) as per the methodology prescribed by SECP via Circular 1 of 2009, Circular 3 of 2010, Circular 33 of 2012 and Circular 35 of 2012. These Circulars also specify the criteria for application of discretionary discount to yield of any debt security calculated by MUFAP and contain criteria for the provisioning of non-performing debt securities.

Investment in thinly and non-traded debt securities with maturity up to six months are valued at their amortised cost in accordance with the requirements of Circular 1 of 2009 as amended by Circular 13 of 2009 and Circular 33 of 2012 issued by the SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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

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

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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to the 'Other Comprehensive Income' until these are derecognized or impaired. At this time, the cumulative gain or loss previously recognized directly in the 'Other Comprehensive Income' is transferred to the 'Income Statement'.

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

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

### **4.4 Impairment**

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

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in Income Statement. Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement.

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

### **4.5 Derecognition**

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

### **4.6 Offsetting of financial instruments**

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

### **4.7 Financial liabilities**

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

### **4.8 Accrued expenses and other liabilities**

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

### **4.9 Provisions**

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

### **4.10 Other assets**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### 4.11 Taxation

#### Current

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

#### Deferred

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund, like in current year, intends to continue availing the tax exemption in future years as well by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealised, to its unit holders every year.

### 4.12 Earnings per unit

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

### 4.13 Net asset value per unit

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

### 4.14 Unit holders' fund

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

### 4.15 Issue and redemption of units

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

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

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

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

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

### 4.17 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities (including government securities) is recognised on a time proportion basis using effective interest rate method.
- Markup on government securities is recognised on an time proportion basis
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'at fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- Profit on bank deposits and term deposit receipts is recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

### 4.18 Expenses

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

### 4.19 Dividend distribution and appropriation

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

### 4.20 Cash and cash equivalents

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

### 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.

	Note	2015 Rupees in '000	2014
<b>5. BALANCES WITH BANKS</b>			
Saving deposits	5.1	126,662	263,245
Term deposit	5.2	100,000	-
		<u>226,662</u>	<u>263,245</u>

**5.1** These carry mark-up at rates ranging between 4.5% to 10.35% per annum (2014: 6.5% to 10.10% per annum).

**5.2** It carries markup at the rate of 8.25% maturing in the month of August 2015.

### 6. INVESTMENTS

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

Government securities	6.1	525,956	301,916
Listed debt securities	6.2	109,271	205,690
Unlisted debt securities	6.3	132,041	128,831
		<u>767,268</u>	<u>636,437</u>

#### *Available for sale*

Government securities	6.4	157,674	66,590
		<u>924,942</u>	<u>703,027</u>

## 6.1

## 6.2

## Listed debt securities

Less: Provision on July 1

Pace Pakistan Limited

Telecard Limited

Trust Investment Bank Limited - III

Less: Provision charged during the year

Pace Pakistan Limited

Add: Reversals during the year

Telecard Limited



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 6.3.1 Unlisted debt securities - term finance certificates and other securities

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of Certificates				Balance as at June 30, 2015			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the year	Matured during the year	Disposed off during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (diminution)	
Bank Al-Habib Limited - TFC-4 (30-06-11) Fixed	1,000	-	-	-	1,000	5,588	5,612	24	0.61
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	-	-	4,500	23,153	23,236	83	2.51
Engro Fertilizer Limited - PPTFC-1 (18-03-08)	20,100	-	-	-	20,100	98,627	102,259	3,632	11.06
Maple Leaf Cement Factory Limited - Sukuk (03-12-07)	500	-	-	-	500	806	934	128	0.10
<b>Total - 2015</b>	<b>26,100</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>26,100</b>	<b>128,174</b>	<b>132,041</b>	<b>3,867</b>	<b>14.28</b>
<b>Total - 2014</b>	<b>29,100</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>26,100</b>	<b>124,545</b>	<b>128,831</b>	<b>4,286</b>	<b>18.33</b>

## 6.4 Government securities - available for sale

Name of investee company	Face Value				Balance as at June 30, 2015				Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2014	Purchased during the year	Disposed during the year	Matured during the year	As at June 30, 2015	Carrying value	Market value	Appreciation / (diminution)		
Pakistan Investment Bonds -03 years	67,500	-	25,000	-	42,500	41,860	44,299	2,439	3.92	4.79
Pakistan Investment Bonds -05 years	-	100,000	100,000	-	-	-	-	-	-	-
Pakistan Investment Bonds -10 years	-	107,400	-	-	107,400	117,232	113,375	(3,857)	10.02	12.26
<b>Total - 2015</b>	<b>67,500</b>	<b>207,400</b>	<b>125,000</b>	<b>-</b>	<b>149,900</b>	<b>159,092</b>	<b>157,674</b>	<b>(1,418)</b>	<b>13.94</b>	<b>17.05</b>
<b>Total - 2014</b>	<b>-</b>	<b>67,500</b>	<b>-</b>	<b>-</b>	<b>67,500</b>	<b>66,483</b>	<b>66,590</b>	<b>107</b>	<b>6.61</b>	<b>9.47</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

Name of security	Number of certificates	Face Value	Unredeemed Face value / Redemption value	Mark-up rate (Per annum)	Maturity	Secured / unsecured	Rating
<b>-----Rupees in '000'-----</b>							
<b>Listed debt securities</b>							
Askari Bank Limited (23-12-11)	42	1,000,000	998,800	6 months KIBOR + 1.75%	December 23, 2021	Unsecured	AA-
Bank Al Falah Limited (20-02-13)	13,381	5,000	4,996	6 months KIBOR + 1.25%	February 20, 2021	Unsecured	AA-
Pace Pakistan Limited (15-02-08)	10,000	5,000	1,000	6 months KIBOR + 2%	February 15, 2017	Secured	Non - Rated
<b>Unlisted debt securities</b>							
Bank Al-Habib Limited - TFC-4 (30-06-11) Fixed	1,000	5,000	4,993	6 months KIBOR	June 30, 2021	Unsecured	AA
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	5,000	4,989	6 months KIBOR + 2.5%	December 02, 2017	Unsecured	AA-
Engro Fertilizer Limited - PPTFC-1 (18-03-08)	20,100	5,000	5,000	6 months KIBOR + 1.7%	March 18, 2018	Secured	AA-
Maple Leaf Cement Factory Limited - Sukuk (03-12-07)	500	5,000	2,146	3 month KIBOR+1.0%	December 03, 2018	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, 2015**

		2015 (Rupees in '000)	2014
	Note		
<b>6.6</b>	<b>Net unrealised appreciation on re-measurement of investments at fair value through profit or loss</b>		
	Market value of investments	6.1, 6.2.1, 6.3.1 <b>767,268</b>	721,629
	Carrying value of investments	6.1, 6.2.1, 6.3.1 <b>762,476</b>	716,570
		<b>4,792</b>	5,059
<b>7.</b>	<b>PROFIT RECEIVABLE</b>		
	Profit / income accrued on:		
	- Term finance and sukuk certificates	<b>5,554</b>	10,333
	- Government securities	<b>8,488</b>	18,544
	- Bank deposits	<b>1,890</b>	589
		<b>15,932</b>	29,466
<b>8.</b>	<b>ADVANCE, DEPOSIT AND PREPAYMENTS</b>		
	Advance tax	<b>4,302</b>	3,927
	Deposits with:		
	- National Clearing Company of Pakistan Limited	8.1 <b>2,500</b>	2,625
	- Central Depository Company of Pakistan Limited	8.2 <b>200</b>	200
	Margin against term finance certificates	8.3 <b>1,353</b>	1,603
	Prepayments	<b>225</b>	105
	Advance against Pre IPO investments - TFCs of Pakistan Mobile Communications Limited	<b>-</b>	33,583
		<b>8,580</b>	42,043
<b>8.1</b>	This represents deposit in respect of Bond Automated Trading System (BATS).		
<b>8.2</b>	This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.		
<b>8.3</b>	This represents the margin with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007, issued by the SECP.		
		2015 (Rupees in '000)	2014
	Note		
<b>9.</b>	<b>ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
	Provision for Workers' Welfare Fund	9.1 <b>24,327</b>	21,985
	Federal excise duty and related tax	9.2 <b>5,975</b>	2,865
	Withholding tax on dividend and other	<b>10,208</b>	7
	Auditors' remuneration	<b>399</b>	385
	Sales load	<b>104</b>	4
	Brokerage	<b>57</b>	36
	Zakat	<b>165</b>	159
	Others	<b>559</b>	553
		<b>41,794</b>	25,994



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

- 9.1** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance), whereby the definition of 'Industrial Establishment' had been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment, all Collective Investment Schemes (CISs) / mutual funds whose income exceeds Rs.0.5 million in a tax year had been brought within the scope of the WWF Ordinance thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honorable Sindh High Court (SHC), challenging the applicability of WWF to the CISs, which is pending adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down. However in 2013, the Larger Bench of SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity. In 2014, the Peshawar High Court (PHC) has also held these amendments to be ultra vires as they lacked the essential mandate to be introduced and passed through the Money Bill under the Constitution.

The Finance Act 2015 incorporated an amendment in WWF Ordinance by excluding Collective Investment Schemes (CIS) from the definition of Industrial Establishment, and consequently CIS are no more liable to pay contribution to WWF with effect from July 01, 2015. Owing to the fact that the decision of SHC on the applicability of WWF to the CISs is currently pending for adjudication, the Management Company has decided to make and retain provision of WWF in its books of account and financial statements till June 30, 2015 which aggregates to Rs. 24.33 million including charge for the year of Rs.2.34 million. Had the said provision of WWF not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 1.15 per unit.

- 9.2** The Finance Act 2013 introduced an amendment to Federal Excise Act 2005 whereby, with effect from June 13, 2013, Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. The Management Company is of the view that since the remuneration and sales load are already subject to provincial sales tax at the rate of 15%, further levy of FED may result in double taxation, which does not appear to be the spirit of the law. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the eighteenth amendment in the Constitution of Pakistan. In this respect, the SHC has issued a stay order against the recovery of FED and the hearing of the petition is still pending. The management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related additional taxes in the books of account aggregating to Rs. 5.98 million as at June 30, 2015 which includes charge for the year amounting to Rs. 2.78 million. In case, the suit is decided against the Fund the same would be paid to the Management Company, which will be responsible for submitting the same to the taxation authorities. Had the said provision of FED and related additional taxes were not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Rs. 0.28 per unit as at June 30, 2015.

### **10. CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2015 and June 30, 2014 except as disclosed in note 15.2.

	Note	2015 (Rupees in '000)	2014
<b>11. REMUNERATION OF MANAGEMENT COMPANY</b>			
Management fee	11.1	<u>15,876</u>	<u>15,145</u>
<b>11.1</b>			
Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. During the year, the Management Company has charged its remuneration at the rate of 1.50% (2014: 1.50%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears. In 2011, the Provincial Government(Sindh) has levied General Sales Tax at the rate of 15% on the remuneration of the Management Company. Further, the Federal Government has levied Federal Excise Duty (FED) at the rate of 16% through the Finance Act 2013 (Refer note 9.2).			

	Note	2015 (Rupees in '000)	2014
<b>12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee fee	12.1	<u>1,750</u>	<u>1,704</u>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

**Amount of funds under  
management (Average NAV)**

**Tariff per annum**

Up to Rs. 1 billion	0.17% p.a. of Net Assets
Rs. 1 billion to Rs. 5 billion	Rs. 1.7 million plus 0.085% p.a. of Net Assets exceeding Rs. 1 billion
Over Rs. 5 billion	Rs. 5.1 million plus 0.07% p.a. of Net Assets exceeding Rs. 5 billion

	2015	2014
	(Rupees in '000)	
<b>13. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE</b>		
Annual fee	<u>794</u>	<u>757</u>

- 13.1** Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

**14. AUDITORS' REMUNERATION**

Annual audit fee	280	270
Half yearly review fee	160	150
Other certifications	100	100
Out of pocket expenses	<u>74</u>	<u>69</u>
	<u>614</u>	<u>589</u>

**15. TAXATION**

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

- 15.2** The income tax returns till the tax year 2014 have been filed and are deemed to be assessed under section 120 of the Income Tax Ordinance, 2001 (the Ordinance) except for tax years 2008 and 2012 for which assessment order under section 122(5A) of the Ordinance has been received that the Fund is not entitled to the exemption from income tax on the basis that the distribution of bonus shares should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. This issue has also been raised by the department in other mutual funds. The Fund filed a petition in the Sindh High Court (SHC) against the demands raised in this respect and has obtained a stay order against the payment of tax demand. Other Mutual Funds are also contesting the same at different appellate forums of Federal Board of Revenue. The Commissioner Inland Revenue (Appeals), in case of certain mutual funds including this Fund has also given decision in favour of these funds wherein the earlier notices served by Tax authorities have been annulled. The management, based on the tax advice obtained by Mutual Funds Association of Pakistan from various tax advisors, is confident that the case would ultimately be decided in favor of the Fund and therefore no provision is required to be made in these financial statements.

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

In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2015, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by issuer in repayment of coupon due on respective dates.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

Category of non-compliant investment	Type of investment / Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
		-----Rupees in '000'-----		< ----- % ----- >		
Investment in debt securities	a) Pace Pakistan Limited (note 6.2.1)	39,751	39,751	-	3.51	3.38
	b) Telecard Limited (note 6.2.1)	26,402	26,402	-	2.33	2.24
	c) Trust Investment Bank Limited - III (note 6.2.1)	17,166	17,166	-	1.52	1.46

## 17. CASH AND CASH EQUIVALENTS

**2015**                      **2014**  
**(Rupees in '000)**

Balances with banks	<b>226,662</b>	<b>263,245</b>
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## 18. TRANSACTIONS WITH CONNECTED PERSONS

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

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

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

### 18.1 Details of transactions with connected persons are as follows:

**2015**                      **2014**  
**(Rupees in '000)**

#### MCB - Arif Habib Savings and Investments Limited - Management Company

Remuneration including indirect taxes	<b>21,178</b>	20,379
Reimbursement of Sindh sales tax registration charges	<b>8</b>	-

#### Central Depository Company of Pakistan Limited - Trustee

Remuneration and settlement charges for the year	<b>1,902</b>	2,200
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#### MCB Bank Limited

Profit on Bank deposits	<b>898</b>	647
Bank charges	<b>17</b>	7

#### Adamjee Life Assurance Company Limited

Redemption of 687,445 units (2014: Nil)	<b>39,817</b>	-
Issue of Nil units (2014: 659,258 units)	-	35,000
Issue of Nil bonus units (2014: 28,187 units)	-	1,466

#### Adamjee Life Assurance Company Limited - Employees gratuity fund

Issue of 19,488 units	<b>1,102</b>	-
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#### Arif Habib Limited

Brokerage*	<b>1</b>	2
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#### Invest Capital Markets Limited

Brokerage*	<b>98</b>	48
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**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

	2015 (Rupees in '000)	2014
<b>Next Capital Limited</b>		
Brokerage*	8	-
<b>Summit Capital Private Limited</b>		
Brokerage*	2	-
<b>Mandate under discretionary portfolio</b>		
Redemption of 117,464 units	6,585	-
<b>Directors and Executives of the Management Company</b>		
Issue of 49 units (2014: 5,931 units)	3	310
Issue of Nil bonus units (2014: 1,076 units)	-	56
Redemption of Nil units (2014: 33,613 units)	-	1,763

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

	2015 (Rupees in '000)	2014
<b>18.2 Amounts outstanding at year end</b>		
<b>MCB - Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration payable	1,439	1,243
Sales tax payable on management fee	320	388
Legal and professional charges payable	100	-
Sales load payable	90	85
Sindh sales tax on sales load	14	1
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration and settlement charges payable	174	167
Security deposits	200	200
<b>MCB Bank Limited</b>		
Bank balance	90,801	2,518
Profit receivable on bank deposits	154	36
<b>Arif Habib Limited</b>		
Brokerage	1	-
<b>Invest Capital Markets Limited</b>		
Brokerage	42	-
<b>Next Capital Limited</b>		
Brokerage	2	-
<b>Summit Capital Private Limited</b>		
Brokerage	1	-
<b>Adamjee Life Assurance Company Limited</b>		
Nil units held (2014: 687,445 units)	-	35,775

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

	2015	2014
	(Rupees in '000)	
<b>Adamjee Life Assurance Company Limited - Employees gratuity fund</b>		
19,488 units held (2014: nil)	1,041	-
<b>Mandate under discretionary portfolio</b>		
Nil units held (2014: 117,464 units)	-	6,113
<b>Directors and Executives of the Management Company</b>		
904 units held (2014: 855 units)	48	44

## 19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Yasir Qadri	Chief Executive Officer	MBA	20
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	12
Mr. Mohsin Pervaiz	Vice President - Investments	MBA	14
Mr. Saad Ahmed	Senior Manager - Fixed income	BS & MBA	10
Ms. Manal Iqbal	Head of Research	CFA & MBA	6
Mr. Syed Muhammad Usama	Manager-Fixed Income	B.com	7

### 19.1 Syed Muhammad Usama Iqbal is the fund manager. Details of the other funds managed by fund manager are as follows:

- Pakistan Cash Management Fund
- Pakistan Income Enhancement Fund

**2015  
(Percentage)**

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

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

**2014  
(Percentage)**

1	Invest Capital Investment Bank Limited	30.70
2	Invest & Finance Securities (Private) Limited	16.03
3	JS Global Capital Limited	11.29
4	C & M Management (Private) Limited	6.81
5	BMA Capital Management Limited	6.46
6	KASB Securities Limited	6.07
7	Optimus Markets (Private) Limited	5.55
8	ICON Securities (Private) Limited	4.94
9	Invest One Markets Limited	3.91
10	Vector Capital Markets Limited	3.23

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

## 21. PATTERN OF UNIT HOLDINGS

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

As at June 30, 2014				
	Number of unit holders	Number of units	Investment amount (Rupees in '000')	Percentage investment %
Individuals	844	7,132,239	371,195	36.83
Directors	1	74,293	3,867	0.38
Insurance companies	8	3,233,846	168,305	16.70
Banks / DFIs	11	1,905,779	99,186	9.84
Retirement funds	43	5,062,098	263,456	26.14
Others	39	1,956,180	101,809	10.10
	946	19,364,435	1,007,818	100.00

## 22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, six board meetings were held on July 20, 2014 (112th meeting), September 9, 2014 (113th meeting), October 20, 2014 (114th meeting), February 02, 2015 (115th meeting), April 24, 2015 (116th meeting) and June 22, 2015 (117th meeting) Information in respect of attendance by Directors and other personnel in the meetings is given below :

Name of persons attending the meetings	Designation	Number of meetings			Meetings not attended
		No. of meetings held	Attended	Leave granted	
Mr. Mian Mohammad Mansha	Chairman	6	1	5	112th, 113th, 114th, 115th, 117th
Mr. Yasir Qadri	Chief Executive Officer	6	6	-	-
Mr. Nasim Beg	Director	6	6	-	-
Dr. Syed Salman Ali Shah	Director	6	4	2	115th, 116th
Mr. Haroun Rashid	Director	6	3	3	114th, 115th, 116th
Mr. Ahmed Jahangir	Director	6	6	-	-
Mr. Samad A. Habib	Director	6	4	2	114th, 115th
Mr. Mirza Mehmood Ahmed	Director	6	3	3	112th, 113th, 114th
Mr. Umair Ahmed	Ex-Chief Financial Officer	4	4	-	-
Mr. Muhammad Asim	Chief Investment Officer	1	1	-	-
Mr. Saqib Saleem	Company Secretary and Chief Financial Officer	6	6	-	-
Mr. Jameel Haider	Financial Controller	1	1	-	-
Mr. Abdul Basit	Financial Controller	1	1	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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### 23. 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 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.

#### 23.1 Market risk

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

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

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

##### 23.1.1 Currency risk

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

##### 23.1.2 Interest rate risk

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

As at June 30, 2015, the investment in debt securities exposed to interest rate is detailed in Note 6.5 to these financial statements.

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

Presently, the Fund holds KIBOR based interest bearing term finance certificates and sukuks exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates and sukuks, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 0.30 million (2014: Rs. 0.302 million).

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

As at June 30, 2015, the Fund holds government securities which are classified as at fair value through profit or loss and available-for-sale exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2015, with all other variables held constant, total comprehensive income for the year and net assets would be higher by Rs. 0.153 million (2014: higher by Rs. 4.196 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, 2015 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

----- June 30, 2015 -----					
	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk
----- Rupees in '000' -----					
<b>On-balance sheet financial instruments</b>					
<b>Financial Assets</b>					
Balances with banks	4.5% to 10.35%	226,662	-	-	226,662
Investments					
at fair value through ' profit and loss - net					
- Government securities	12%	484,082	-	41,874	-
- Listed debt securities	9.72% to 11.92%	-	-	109,271	-
- Unlisted debt securities	8.43% to 15%	-	-	132,041	-
Available for sale					
- Government securities	9.75% to 11.25%	-	-	157,674	-
Profit receivable		484,082	-	440,860	-
Security deposits		-	-	-	15,932
		<b>710,744</b>	<b>-</b>	<b>440,860</b>	<b>19,985</b>
					<b>1,171,589</b>
----- June 30, 2015 -----					
	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk
----- Rupees in '000' -----					
<b>Financial Liabilities</b>					
Payable to the Management Company		-	-	-	1,859
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	174
Accrued expenses and other liabilities		-	-	-	1,035
		-	-	-	<b>3,068</b>
		<b>710,744</b>	<b>-</b>	<b>440,860</b>	<b>16,917</b>
					<b>1,168,521</b>
<b>On-balance sheet gap</b>					
<b>Off-balance sheet financial instruments</b>					
		-	-	-	-



**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

June 30, 2014

	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk	Total
Rupees in '000'						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Balances with banks	6.5% to 10.10%	263,245	-	-	-	263,245
Investments						
at fair value through ' profit and loss - net						
- Government securities	11.25%	-	301,916	-	-	301,916
- Listed debt securities	8% to 15.22%	-	205,689	-	-	205,689
- Unlisted debt securities	11.78% to 15%	-	128,831	-	-	128,831
Available for sale						
- Government securities	11.25%	-	-	66,590	-	66,590
Profit receivable		-	636,436	66,590	-	703,026
Security deposits		-	-	-	29,466	29,466
		-	-	-	4,428	4,428
		<b>263,245</b>	<b>636,436</b>	<b>66,590</b>	<b>33,894</b>	<b>1,000,165</b>
<b>Financial Liabilities</b>						
Payable to the management company		-	-	-	1,631	1,631
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	167	167
		-	-	-	978	978
		-	-	-	<b>2,776</b>	<b>2,776</b>
<b>On-balance sheet gap</b>		<b>263,245</b>	<b>636,436</b>	<b>66,590</b>	<b>31,118</b>	<b>997,389</b>
<b>Off-balance sheet financial instruments</b>						
		-	-	-	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 23.1.3 Price risk

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

In case of a 1% increase / decrease in effective yield as on June 30, 2015, the net assets of the Fund would increase / decrease by Rs. 2.41 million (2014: Rs. 3.345 million).

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

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

	2015	2014
	(Rupees in '000')	
Balances with banks	226,662	263,245
Investments	924,942	334,521
Profit receivable	15,932	29,466
Security deposits	4,053	42,043
	1,171,589	669,275
	1,171,589	669,275

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

#### Bank Balances by rating category

	2015	2014
AAA / A1+	72.23	1.32
AA+ / A1+	0.79	5.38
AA / A1+	13.05	93.13
AA- / A1+	13.93	0.17
A / A1	0.01	0.00
	26.99	93.30
	26.99	93.30

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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

### Investments by rating category

	2015	2014
	%	%
Government Securities	73.91	52.42
AAA, AAA-, AAA+	-	-
AA, AA-, AA+	25.99	33.27
A, A-, A+	0.10	14.03
BBB	-	0.29
Non - performing, Unrated	-	-
	100.00	100.00

### Investment in fixed income securities

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

### Security deposits

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

### 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.

### 23.3 Liquidity risk

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

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

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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.

<b>June 30, 2015</b>				
	<b>Up to three months</b>	<b>More than three months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
	------(Rupees in'000')-----			
Payable to the Management Company	1,859	-	-	1,859
Payable to the Central Depository Company of Pakistan Limited - Trustee	174	-	-	174
Payable on redemption of units	47	-	-	47
Accrued expenses and other liabilities	16,824	-	-	16,824
	<u>18,904</u>	<u>-</u>	<u>-</u>	<u>18,904</u>
<b>June 30, 2014</b>				
	<b>Up to three months</b>	<b>More than three months and up to one year</b>	<b>More than one year</b>	<b>Total</b>
	------(Rupees in'000')-----			
Payable to the Management Company	1,631	-	-	1,631
Payable to the Central Depository Company of Pakistan Limited - Trustee	167	-	-	167
Payable on redemption of units	1,414	-	-	1,414
Accrued expenses and other liabilities	3,449	-	-	3,449
	<u>6,661</u>	<u>-</u>	<u>-</u>	<u>6,661</u>

### 23.4 Financial instruments by category

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

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

	June 30, 2014			
	Loans and receivables	Assets classified as Available for sale	Assets classified at fair value through profit and loss	Total
	------(Rupees in'000')-----			
Financial Assets				
Balances with banks	263,245	-	-	263,245
Receivable against sale of investments	-	-		-
Investments	-	66,590	636,437	703,027
Profit receivable	29,466	-	-	29,466
Security deposits	38,011	-	-	38,011
	330,722	66,590	636,437	1,033,749

<b>June 30, 2014</b>			
	<b>Liabilities at fair value through profit and loss</b>	<b>Other financial liabilities</b>	<b>Total</b>
------(Rupees in'000')-----			
<b>Financial Liabilities</b>			
Payable to Management Company	-	1,631	1,631
Payable to Central Depository Company of Pakistan Limited- Trustee	-	167	167
Payable against redemption of units	-	1,414	1,414
Accrued expenses and other liabilities	-	3,449	3,449
	-	6,661	6,661

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

### 23.5. Fair value of financial instruments

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

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

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

International Financial Reporting Standard 7, Financial Instruments : Disclosure requires an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

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

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

	----- As at June 30, 2014 -----			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>ASSETS</b>				
Investments classified as 'fair value through profit and loss'	205,690	430,747	-	636,437
Investments at 'Available for sale'	-	66,590	-	66,590
	<u>205,690</u>	<u>497,337</u>	<u>-</u>	<u>703,027</u>

### 24. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

The Fund's 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.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2015

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In accordance with the risk management policies as stated in note 23, 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.

**25. GENERAL**

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

**26. DATE OF AUTHORIZATION FOR ISSUE**

These financial statements were authorized for issue on August 07, 2015 by the Board of Directors of the Management Company.

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

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

  
\_\_\_\_\_  
Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2015**

Category	No.of Unit Holders	Units
<b>Associated Companies, undertakings and related Parties</b>		
Adamjee Life Assurance Company Limited - Employees gratuity fund	1	19,488
<b>Public Sector Companies and Corporations</b>	9	799,328
<b>Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.</b>	9	3,887,485
<b>Individuals</b>	810	8,618,768
<b>Trust</b>	74	7,856,506
	903	21,181,575



**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2015**

<b>No. of Unit Holder</b>	<b>Unit holdings</b>	<b>Total Units Held</b>
688	1-10000	1,047,043
177	10001-100000	6,243,319
35	100001-1000000	9,509,021
3	1000001 onwards	4,382,191
<b>903</b>		<b>21,181,575</b>

## PERFORMANCE TABLE

Performance Information	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002 *
Total Net Assets Value – Rs. in million	1,131	1,008	1,092	1,301	1,814	2,102	2,370	6,070	9,406	5,687	3,707	3,401	1,500	310
Net Assets value per unit – Rupees	53.4200	52.0400	53.1600	52.0400	53.2000	52.2200	53.0600	51.4800	55.4700	55.1100	54.8500	54.5300	56.7300	51.9400
Highest offer price per unit	59.7337	54.5800	54.6200	54.6275	54.0598	53.6949	54.0600	54.3600	56.2000	55.8300	55.6000	55.2800	57.5100	54.2700
Lowest offer price per unit	53.4870	53.2700	52.6300	52.7724	51.9209	51.3634	47.8800	50.9500	50.8000	50.7600	50.6200	51.4700	52.5700	52.4900
Highest Redemption price per unit	58.1400	53.1100	53.1600	53.8900	53.3300	52.9700	53.3300	53.6300	55.4400	55.0800	54.8500	54.5300	56.7300	51.8300
Lowest Redemption price per unit	52.0600	51.8400	15.9200	52.0600	51.2200	50.6700	47.2300	50.2600	50.1100	50.0700	49.9400	50.7800	50.2000	50.1300
<b>Average Annual Return - %</b>														
One year	11.31	8.13	7.16	9.39	12.50	14.01	8.81	9.23	10.70	10.11	9.63	7.49	13.03	12.76
Two year	9.71	7.64	4.30	9.88	14.10	11.38	9.01	9.97	10.40	9.89	8.56	10.18	-	-
Three year	8.85	8.22	3.50	12.18	13.20	10.65	9.57	10.03	10.16	9.07	10.01	-	-	-
Net Income for the period – Rs. in million	114.74	78.06	83.83		216.13	283.72	281.27	842.17	918.14	523.84	315.81	284.42	154.30	10.68
Income Distribution – Rs. in million	84.8940	77.2230	61.0000		194.5510	-	-	-	-	-	-	-	-	-
Total return of the fund	11.31	8.13	7.16	9.39	12.50	14.01	8.81	9.23	10.70	10.11	9.63	7.49	13.03	12.76
Dividend distribution	4.50	4.99	7.34	4.67	5.31	12.56	7.30	9.50	10.50	10.00	9.60	9.00	12.00	3.50
Capital Growth	6.81	3.14	(0.18)	4.72	7.19	1.45	1.51	(0.27)	0.20	0.11	0.03	(1.51)	1.03	9.26

Fund keeps the average duration of its portfolio less than two and half years.

\* First year of operations from the period 1 March 2002 to 30 June 2002.

### Disclaimer

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

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Please read the Offering Document to understand the investment policies and the risks involved.



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