



**PAKISTAN**

---

# **SARMAYA MEHFOOZ FUND**

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

Rated: 'AM2++' by PACRA

## TABLE OF CONTENTS

01	Vision, Mission & Core Value	02
02	Fund's Information	03
03	Report of the Director of Management Company	04
04	Report of the Fund Manager	16
05	Trustee Report to the Unit Holders	17
06	Statement of Compliance with the Code of Corporate Governance	18
07	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	20
08	Independent Auditors' Report to the Unit Holders	21
09	Statement of Assets and Liabilities	22
10	Income Statement	23
11	Statement of Comprehensive Income	24
12	Distribution Statement	25
13	Statement of Movement in Unit Holders' Fund	26
14	Cash Flow Statement	27
15	Notes to and Forming Part of the Financial Statement	28
16	Pattern of Holding as Per Requirement of Code of Corporate Governance	53
17	Pattern of Units Holding By Size	54
18	Performance Table	55
19	Proxy Issued By Fund	56

---

---

## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

## FUND'S INFORMATION

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

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

---

Dear Investor,

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

## ECONOMY AND MONEY MARKET OVERVIEW

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

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

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

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

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

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

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

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

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

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

## EQUITIES MARKET OVERVIEW

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

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

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

Pakistan's reclassification to the Emerging Market index was the headline news during the year, as expectations of upgrade were finally met. Going forward, we believe the market has a strong potential of re-rating owing to expected inflows from Emerging Market Funds. It is expected that net inflow of USD 300-400 million would flow, following Pakistan's reclassification. Thus, we recommend investors to focus on long term value and potential offered by the bourse to build positions in equity funds.

## FUND PERFORMANCE

The fund posted a return of 0.81% against its benchmark return of 4.09%. The fund was 30% allocated in equity investments and 23.6% in Term Deposits.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 666 million while it stood at Rs. 741 million as at June 30, 2015 registering a decrease of 10.12%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 105.4829 while it stood at Rs. 107.6262 as at June 30, 2015.

## FUTURE OUTLOOK

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

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

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

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

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

## Corporate Governance

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

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



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

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

### 1. Meeting of the Audit Committee.

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

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

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

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

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

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

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

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

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

- n. No trades 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.

### External Auditors

The duration of the Fund is 2 years starting from the close of initial offering period which was December 19, 2014. The fund's external auditors Deloitte Yousuf Adil Chartered Accountants have expressed their willingness to continue as the fund auditors for the period ended December 18, 2016. The audit committee of the Board has recommended reappointment of Deloitte Yousuf Adil Chartered Accountants as auditors of the fund for the period ending December 18, 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.

On behalf of Directors,



**Muhammad Saqib Saleem**

Chief Executive Officer

August 05, 2016



# ڈائریکٹرز رپورٹ

## خارجی آڈیٹرز

فنڈ کی مدت 2 سال ہے جس کا آغاز ابتدائی offering مدت کے اختتام یعنی 19 دسمبر 2014ء سے ہوتا ہے۔ فنڈ کے خارجی آڈیٹرز ”ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ نے 18 دسمبر 2016ء کو ختم ہونے والی مدت کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 18 دسمبر 2016ء کو ختم ہونے والی مدت کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

## اظہار تشکر

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

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

05 اگست 2016ء

# ڈائریکٹر رپورٹ

## 1. آڈٹ کمیٹی کی میٹنگ

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

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

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

## 2. ہیومن ریسورس اینڈ رمیونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیونریشن کمیٹی کی چھ (06) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

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

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

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

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

# ڈائریکٹرز رپورٹ

- a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور یونٹ ہولڈرز کے فنڈ میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی درست بگس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Banking فنانس کمپنیز (اسٹبلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Banking فنانس اینڈ نوٹیفائیڈ انٹیلیجنس ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔
- f. کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔
- i. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ماحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- j. پراویڈنٹ فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ مینجمنٹ کمپنی کی ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- k. دورانِ سال دی انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منعقدہ ڈائریکٹرز تربیتی پروگرام میں چیف ایگزیکٹو آفیسر نے شرکت کی۔ (باقی تمام ڈائریکٹرز یہ تربیتی کورس مکمل کر چکے ہیں، یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔)
- l. این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی pattern مالیاتی گوشواروں کے ساتھ ملحق ہے۔
- m. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات ماحقہ مالیاتی گوشواروں کے نوٹ 23 میں پیش کی گئی ہیں۔ 30 جون 2016ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

# ڈائریکٹر رپورٹ

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

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

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

## کارپوریٹ گورننس

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

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

## فنڈ کی کارکردگی

فنڈ نے منافع کے متعین کردہ معیار 4.09% کے بالمقابل 0.81% منافع کمایا۔ فنڈ کا 30% ایکویٹی سرمایہ کاریوں میں اور 23.6% ٹرم ڈپازٹس مختص کیا گیا تھا۔

30 جون 2016ء کو فنڈ کے net اثاثے 666 ملین روپے تھے جبکہ 30 جون 2015ء کو 741 ملین روپے تھے، جو 10.12% کمی ہے۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 105.4829 روپے تھی جبکہ 30 جون 2016ء کو 107.6262 روپے تھی۔

## مستقبل کی صورتحال

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

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

## ڈائریکٹر رپورٹ

KSEPSX-100 انڈیکس کے ذریعے پیمائش کردہ مقامی ایکویٹی مارکیٹ نے مالی سال 2016ء کے دوران 9.8% ترقی کی، جو گزشتہ سات برسوں میں اس کی کمزور ترین کارکردگی ہے۔ اگرچہ مجموعی صورتحال میں قابل ذکر بہتری آئی، لیکن ایکویٹی کے منافع میں اس کی عکاسی نہیں ہوئی کیونکہ اشیاء میں کمی اور مقامی مارکیٹ سے غیر ملکی سرمایہ کاروں کے بڑے پیمانے پر خروج نے معیار کو دباؤ میں رکھا۔ غیر ملکیوں کی فروخت میں کوئی کمی نہیں ہوئی جس سے دوران سال 281 ملین ڈالر مالیت کی ایکویٹیز ضائع ہوئیں۔ مذکورہ مدت میں ہونے والی فروخت کا اثر بنیادی طور پر NBFCs نے قبول کیا اور 187.8 ملین ڈالر کی net خریداری ہوئی جبکہ انفرادی طور پر 127.7 ملین ڈالر کی ایکویٹیز خریدی گئیں۔

سیمنٹ کا شعبہ مذکورہ مدت میں 29.0% ترقی کے ساتھ سب سے آگے رہا۔ بڑے پیمانے پر سیمنٹ کی فروخت اور اس کے ساتھ CPEC کے زیر اہتمام سرگرمیوں سے ہونے والی متوقع ترقی نے اس شعبے میں سرمایہ کاروں کی دلچسپی کو قائم رکھا۔ بجلی کے شعبے نے 19.8% ترقی کی جب ڈسکاؤنٹ کی شرح میں 75 bps کمی سے پیداواری قوتیں منظر عام پر آئیں۔ اسی طرح، ادویات کے شعبے میں بھی تیزی آئی اور مذکورہ مدت میں 43.0% کی شاندار ترقی ہوئی جب ڈرگ ریگولیٹری اتھارٹی پاکستان ("DRAP") نے ادویات کے اداروں کے لئے قیمتوں کے تعین کی پالیسی کی منظوری دے دی۔ دوسری جانب بھاری انڈیکس کا حامل آئل اینڈ گیس ایکسپلوریشن کا شعبہ معیار کے مطابق کام نہیں کر سکا اور اسے دوران سال 5.4% خسارہ ہوا۔ یہی رجحان خام تیل کی قیمتوں (Arab Light) میں بھی رہا اور اس میں 22.0% کا خسارہ ہوا کیونکہ ایران پر عائد پابندیاں اٹھائے جانے کے بعد ضرورت سے زیادہ رسد کا خوف دوبارہ پیدا ہو گیا۔ کمرشل بینک بھی سست روی کا شکار رہے اور صرف 2.5% منافع دیا جبکہ سینٹرل بینک نے دوران سال ڈسکاؤنٹ کی شرح کو 75 bps کم کر دیا تھا۔ اسی طرح کھاد کے شعبے نے بھی صرف 2.8% منافع دیا جب کھاد کے شعبے کی قیمتوں کے تعین کی طاقت پر سوال اٹھے کیونکہ یورپا کی بین الاقوامی قیمتیں پہلی مرتبہ مقامی قیمتوں سے بھی کم ہو گئیں۔

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



# ڈائریکٹر رپورٹ

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

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

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

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

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

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

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

ایکویٹیز مارکیٹ کا جائزہ

بورڈ آف ڈائریکٹرز کی طرف سے 'پاکستان سرمایہ محفوظ فنڈ' کے 30 جون 2016ء کو ختم ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار زر کا مجموعی جائزہ

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

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

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

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

## Fund Type and Category

Pakistan Sarmaya Mehfooz Fund (PAK-SMF) is an Open-End Capital Protected Scheme.

## Fund Benchmark

The benchmark for PAK-SMF is Weighted Average Daily Return of KSE-30 Total Return Index, Three (3) Month Deposit Rate of Double A minus (AA-) and above rated Banks and PIB's yields of appropriate maturity as measured by PKRV rates (bidside), based on the fund's actual proportion invested in equities, cash and bank deposits, and PIB's, measured on monthly basis..

## Investment Objective

The objective of Pakistan Sarmaya Mehfooz Fund is to earn a return higher than short term bank deposits and government securities while providing capital protection upon maturity of the Fund.

## Investment Strategy

The Fund will be primarily investing in Equities (i.e. the Equity Component); while a combination of bank deposit and government securities will be used to take fixed-income exposure (i.e. the Income Component) with a view to providing capital protection. The dynamic asset allocation is aimed at providing higher returns through participation in Equities while aiming to protect downside risk of principal erosion through participation in fixed-income instruments.

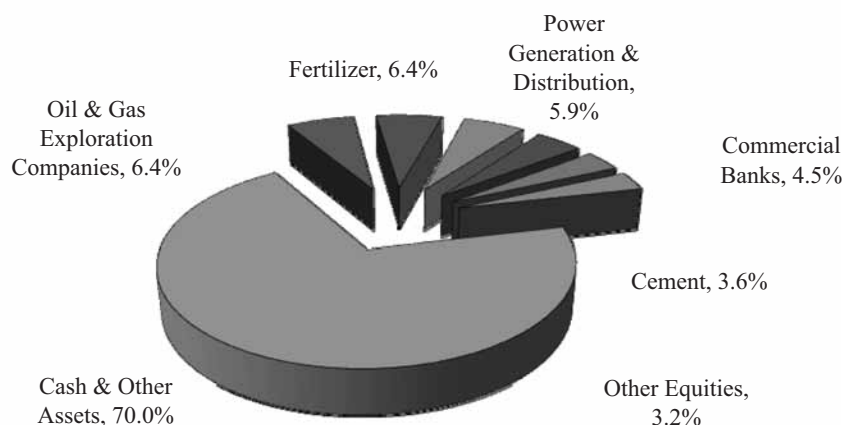
## Manager's Review

The fund posted a return of 0.81% against its benchmark return of 4.09%. The fund was 30% allocated in equity investments and 23.6% in Term Deposits.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 666 million while it stood at Rs. 741 million as at June 30, 2015 registering a decrease of 10.12%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 105.4829 while it stood at Rs. 107.6262 as at June 30, 2015.

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



**Muhammad Asim, CFA**  
Fund Manager

**Karachi: August 05, 2016**

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

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

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



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### PAKISTAN SARMAAYA MEHFOOZ 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 Sarmaya Mehfooz Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2016 in accordance with the provisions of the following:

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

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

Karachi: September 9, 2016



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

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company) of **Pakistan Sarmaya Mehfooz Fund** ("the fund") to comply with the Code of Corporate Governance contained in clause no. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

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

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

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

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

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

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

---

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

On behalf of the Board



**Muhammad Saqib Saleem**  
Chief Executive Officer

Karachi: August 05, 2016



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

# Deloitte.

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

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

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

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

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

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


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

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

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



Chartered Accountants

  
Date: 05 AUG 2016  
Karachi

Member of  
Deloitte Touche Tohmatsu Limited

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

## Deloitte.

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

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

www.deloitte.com

### INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

#### Report on the Financial Statements

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

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

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

#### Auditors' responsibility

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

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

#### Emphasis of Matter

Without modifying our opinion, we draw attention to Note 1.4 to the financial statements which describes that the duration of the Fund is 2 years starting from the close of initial offering period which was December 19, 2014. Consequently the Fund is expected to be wound up in the month of December 2016.

#### 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 05, 2016  
Karachi

Member of  
Deloitte Touche Tohmatsu Limited

# STATEMENT OF ASSETS AND LIABILITIES

## AS AT JUNE 30, 2016

	Note	2016 (Rupees in '000)	2016
<b>ASSETS</b>			
Balances with banks	5	288,274	90,942
Investments	6	363,233	639,121
Dividend and profit receivable	7	23,893	19,058
Advances, deposits and prepayments	8	2,745	2,801
Preliminary expenses and floatation costs		1,013	3,182
<b>Total assets</b>		<b>679,158</b>	<b>755,104</b>
<b>LIABILITIES</b>			
Payable to the Management Company		679	5,379
Payable to the Central Depository Company of Pakistan Limited - Trustee		81	79
Payable to the Securities and Exchange Commission of Pakistan		517	283
Accrued expenses and other liabilities	9	12,336	8,387
<b>Total liabilities</b>		<b>13,613</b>	<b>14,128</b>
<b>NET ASSETS</b>		<b>665,545</b>	<b>740,976</b>
<b>UNITHOLDERS' FUND (as per statement attached)</b>		<b>665,545</b>	<b>740,976</b>
<b>Contingencies and commitments</b>	10		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>6,309,503</b>	<b>6,884,713</b>
<b>(Rupees in '000)</b>			
<b>NET ASSET VALUE PER UNIT</b>	4.12	<b>105.48</b>	<b>107.63</b>

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

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

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

  
\_\_\_\_\_  
Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

		2016	For the period from December 22, 2014 to June 30, 2015
	Note	(Rupees in '000)	
<b>INCOME</b>			
Capital (loss)/gain on sale of investments - net		(6,274)	33,485
Income from government securities		26,853	12,819
Profit on bank deposits and term deposit receipts		19,063	12,013
Dividend income		10,706	10,305
Other income		2,155	367
Reclassification adjustment relating to impairment of investments classified as available for sale	6.7	(3,950)	-
Impairment loss for the year on available for sale investments	6.7	(10,099)	-
<b>Total income</b>		<b>38,454</b>	<b>68,989</b>
<b>EXPENSES</b>			
Remuneration of Management Company	11	6,891	3,776
Sales tax and Federal Excise Duty on remuneration of Management Company		2,216	1,261
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	896	491
Sindh Sales Tax On Remuneration Of The Trustee	13	126	-
Securities and Exchange Commission of Pakistan - annual fee	14	517	283
Allocated expenses including indirect expense	15	454	-
Legal and professional		610	100
Settlement and bank charges		615	1,052
Fee and subscriptions		352	185
Zakat		2,619	1,033
Amortisation of preliminary expenses and floatation costs		2,169	1,132
Auditors' remuneration	16	606	319
Printing and related costs		323	60
<b>Total expenses</b>		<b>18,394</b>	<b>9,692</b>
<b>Net income from operating activities</b>		<b>20,060</b>	<b>59,297</b>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed			
arising from capital gain and unrealised gain		16	152
arising from other income		(2,284)	128
Provision for Workers' Welfare Fund	9.1	-	(1,192)
<b>Net income for the period before taxation</b>		<b>17,792</b>	<b>58,385</b>
Taxation	17	-	-
<b>Net income for the period after taxation</b>		<b>17,792</b>	<b>58,385</b>
<b>Earnings per unit</b>	4.9	-	-

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

  
Chief Executive Officer

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

  
Director

# STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED JUNE 30, 2016

		2016	For the period from December 22, 2014 to June 30, 2015 (Rupees in '000)
	Note		
<b>Net income for the period after taxation</b>		<b>17,792</b>	<b>58,385</b>
<b>Other comprehensive income for the period</b>			
<i>Items that may be reclassified to profit and loss account</i>			
Unrealised (diminution)/appreciation on re-measurement of investments classified as available for sale - net	6.6	<b>(18,384)</b>	16,034
Reclassification adjustment relating to impairment of investments classified as available for sale		<b>3,950</b>	-
<b>Total comprehensive income for the period</b>		<b>3,358</b>	<b>74,419</b>

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

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

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

  
\_\_\_\_\_  
Director



# DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	2016	For the period from December 22, 2014 to June 30, 2015
Undistributed income brought forward	(Rupees in '000)	
- Realised gains	36,470	-
- Unrealised gains	-	-
	<u>36,470</u>	<u>-</u>
Net element of income and capital gains included in the price of units issued less those in units redeemed - amount representing unrealised income	(2,770)	531
Net income for the period after taxation	17,792	58,385
	15,022	58,916
<b>Distribution:</b>		
Interim cash distribution for the period ended June 30, 2015 at Rs 3.35 per unit (Date of distribution: June 22, 2015)	-	(22,446)
Interim cash distribution for the period ended June 30, 2016 at Rs 3.00 per unit (Date of distribution: June 27, 2016)	(18,456)	-
	(18,456)	(22,446)
Undistributed income carried forward	<u>33,036</u>	<u>36,470</u>
<b>Represented by:</b>		
- Realised gains	33,036	36,470
- Unrealised gains	-	-
	<u>33,036</u>	<u>36,470</u>

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

  
 Chief Executive Officer

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

  
 Director



# STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	2016	For the period from December 22, 2014 to June 30, 2015
	(Rupees in '000)	
Net assets at beginning of the period	740,976	-
Issue of 163,952 (2015: 53,281,667) units (163,952 units (2015: 184,490 units) reinvested by the unitholders against their dividend entitlement amounting to Rs. 17.21 million (2015:Rs. 20 million) - net of tax)	17,213	700,719
Redemption of 739,162 (2015: 106,947) units	(79,813)	(11,436)
	(62,600)	689,283
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed:		
- arising from capital gain and unrealized gain - transferred to the Income Statement	(16)	(152)
- arising from other income - transferred to the Income Statement	2,284	(128)
- amount representing unrealised gain / (loss) and capital gains / (losses) that forms part of the unitholders' fund transferred to the Distribution Statement - Net	2,770	(531)
	5,038	(811)
Net element of (loss)/income and capital (loss) / gains included in prices of units issued less those in units redeemed - amount representing unrealized income	(2,770)	531
Capital (loss)/gain on sale of investments	(6,274)	33,485
Unrealised (diminution) / appreciation on re-measurement of investments classified as available for sale	(14,434)	16,034
Other net income for the period	24,065	24,900
Final distribution made during the period (Refer distribution statement)	(18,456)	(22,446)
	(15,099)	51,973
Net assets at end of the period	665,545	740,976
	(Number of units)	
NUMBER OF UNITS IN ISSUE	6,309,503	6,884,713
	(Rupees in '000)	
NET ASSET VALUE PER UNIT	105.48	107.63

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

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

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

  
\_\_\_\_\_  
Director

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

	2016	For the period from December 22, 2014 to June 30, 2015 (Rupees in '000)
<b>A. CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	17,792	58,385
<b>Adjustments for</b>		
Element of loss / (income) and capital losses / (gains) included in the		
prices of units issued less those in units redeemed		
- arising from capital gain and unrealized gain	(16)	(152)
- arising from other income	2,284	(128)
Amortisation of preliminary expenses and floatation costs	2,169	1,132
Impairment expenses	14,049	-
	36,278	59,237
<b>Decrease / (increase) in Assets</b>		
Investments - net	247,404	(623,087)
Dividend and profit receivable	(4,835)	(19,058)
Advance, deposits and prepayments	56	(2,801)
Preliminary expenses and floatation costs	-	(4,314)
	242,625	(649,260)
<b>(Increase) / decrease in liabilities</b>		
Payable to the Management Company	(4,700)	5,379
Payable to the Central Depository Company of Pakistan Limited - Trustee	2	79
Payable to the Securities and Exchange Commission of Pakistan - fee	234	283
Accrued expenses and other liabilities	3,949	8,387
	(515)	14,128
<b>Net cash generated from / (used in) operating activities</b>	278,388	(575,895)
<b>B. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid	(18,456)	(22,446)
Cash received from units sold	17,213	700,719
Cash paid on units redeemed	(79,813)	(11,436)
<b>Net cash (used in) / generated from financing activities</b>	(81,056)	666,837
<b>Net increase in cash and cash equivalents</b>	(A+B) 197,332	90,942
Cash and cash equivalents at beginning of the period	90,942	-
<b>Cash and cash equivalents at end of the period</b>	288,274	90,942

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

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

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

  
\_\_\_\_\_  
Director

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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Sarmaya Mehfooz 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 July 21, 2014 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on August 13, 2014 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) [repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)].
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, off Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.
- 1.3 The Fund is a capital protected open ended mutual fund with the objective to protect the initial investment value of investors at maturity with secondary objective of providing growth over the period. The units of the Fund are redeemable subject to a Back-end Load. The units are listed on the Pakistan Stock Exchange (PSX), formerly Lahore Stock Exchange.
- 1.4 According to Clause 25.2 of the Trust Deed, the first accounting period of the Fund shall commence from the date on which the trust property is first paid or transferred to the Trustee i.e. December 22, 2014 till June 30, 2015. The duration of the Fund is 2 years starting from the close of initial offering period which was December 19, 2014.
- 1.5 The Fund primarily invests in equity securities while a combination of investments in bank deposits and government securities are used to take fixed-income exposure with a view to provide capital protection.
- 1.6 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated June 8, 2016 to the Management Company and capital protection rating CP2+ dated February 19, 2016 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008) and directives issued by the SECP. Wherever, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives differ with the requirements of the IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, and the said directives shall prevail.
- 2.2 **New accounting standards / amendments and IFRS interpretations that are effective for the year ended June 30, 2016**

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

### Standards / amendments / interpretations

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

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

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

The following amendments are only effective for accounting periods, beginning on or after the date mentioned against each of them.

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

These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

## *Standards / amendments / interpretations*

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

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

January 01, 2016

Amendments to IAS 16 and IAS 41 Agriculture: Bearer plants

January 01, 2016

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

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

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

#### **3.1 Accounting convention**

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

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

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

The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies primarily related to classification and valuation of investments and impairment there against (note 4.1 & 4.3).

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

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

### **4. SUMMARY OF ACCOUNTING POLICIES**

The principal accounting policies adopted 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:

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

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

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

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

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

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

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

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

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

### **Recognition**

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

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

### **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.

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

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

Transactions of purchase under resale (reverse-repo) of marketable and government securities, are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are

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

---

not recognised in the Statement of Assets and Liabilities. Amounts paid under these agreements are recognised as receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the agreement. All reverse repo transactions are accounted for on the settlement date.

### 4.3 Impairment

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. In case of equity security classified as available for sale, a significant or prolonged decline in fair value below its cost is objectively considered as evidence of impairment. If any such impairment exists for available for sale financial assets, cumulative gains or losses previously recognised in other comprehensive income are reclassified to Income Statement in the period.

Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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

### 4.4 Derecognition

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

### 4.5 Offsetting of financial instruments

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

### 4.6 Financial liabilities

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

### 4.7 Accrued expenses and other liabilities

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

### 4.8 Provisions

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

### 4.9 Other assets

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



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

---

## 4.10 Taxation

### *Current*

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

### *Deferred*

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

## 4.11 Earnings per unit

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

## 4.12 Net asset value per unit

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

## 4.13 Unit holders' fund

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

## 4.14 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for 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.

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

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

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

## 4.16 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities (including government securities) is recognised on a time proportion basis using effective interest rate method.

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

- Markup on government securities is recognised on an time proportion basis
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'at fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Profit on bank deposits and term deposit receipts is recognised on time proportion basis.
- Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed is included in the Income Statement on the date of issue and redemption of units.

## 4.17 Expenses

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

## 4.18 Dividend distribution and appropriation

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

## 4.19 Cash and cash equivalents

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

	Note	2016 (Rupees in '000)	2015
<b>5. BALANCES WITH BANKS</b>			
In saving accounts	5.1	<b>288,274</b>	90,942

5.1 These carry rate of return ranging from 3.75% to 6.95% (2015: 5.5% to 8.5%) per annum.

## 6. INVESTMENTS

### *Available for sale*

Listed equity securities	6.1	<b>203,233</b>	270,659
Government securities	6.2	-	208,462

### *Held for Trading*

Listed equity securities	6.3	-	-
Government securities	6.4	-	-

### *Loans and receivables*

Term deposit receipts	6.5	<b>160,000</b>	160,000
		<b>363,233</b>	639,121

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

6.1 Listed equity securities - Available for sale

Name of the investee company	Number of shares				As at June 30, 2016				Market value as percentage of net assets	Market value as percentage of total investments	Investment as a percentage of total paid up capital of the investee company
	As at July 01, 2015	Purchases during the period	Bonus / right issue during the year	Sales during the period	As at June 30, 2016	Cost / Carrying amount	Market value	Appreciation/ (diminution)			
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each unless stated otherwise											
<b>Automobile Assembler</b>											
Honda Atlas Cars (Pakistan) Limited	-	75,000	-	(75,000)	-	-	-	-	-	-	-
Indus Motor Company Limited	12,500	-	-	(12,500)	-	-	-	-	-	-	-
<b>Cable &amp; Electrical Goods</b>											
Pak Elektron Limited	150,000	-	-	(150,000)	-	-	-	-	-	-	-
<b>Cement</b>											
Dera Ghazi Khan Cement Company Limited	100,000	32,000	-	(100,000)	32,000	5,930	6,096	166	0.92	1.68	-
Fauji Cement Company Limited	400,000	-	-	(400,000)	-	-	-	-	-	-	-
Kohat Cement Limited	-	13,000	-	(13,000)	-	-	-	-	-	-	-
Lucky Cement Limited	32,000	56,000	-	(60,300)	27,700	17,146	17,964	818	2.70	4.95	-
Maple Leaf Cement Factory Limited	100,000	-	-	(100,000)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	60,000	-	(60,000)	-	-	-	-	-	-	-
						23,076	24,060	984	3.62	6.63	
<b>Chemicals</b>											
ICI Pakistan Limited	25,000	-	-	-	25,000	9,983	11,126	1,143	1.67	3.06	-
						9,983	11,126	1,143	1.67	3.06	
<b>Commercial Banks</b>											
Habib Bank Limited	679	127,000	-	(46,679)	81,000	15,328	16,002	674	2.40	4.41	-
J.S. Bank Limited	500,000	-	-	(500,000)	-	-	-	-	-	-	-
MCB Bank Limited	-	40,000	-	(5,500)	34,500	7,983	7,591	(392)	1.14	2.09	-
United Bank Limited	-	113,000	-	(73,000)	40,000	6,217	7,077	860	1.06	1.95	-
						29,528	30,670	1,142	4.60	8.45	
<b>Engineering</b>											
Anreli Steels Limited	-	5,170	-	(5,170)	-	-	-	-	-	-	-
Crescent Steel And Allied Products Limited	75,000	-	-	(75,000)	-	-	-	-	-	-	-
<b>Fertilizers</b>											
Engro Fertilizer Limited	-	510,000	-	(510,000)	-	-	-	-	-	-	-
Engro Corporation Limited	4,000	164,600	-	(39,000)	129,600	42,676	43,153	477	6.48	11.88	-
Fauji Fertilizer Company Limited	163,700	-	-	(163,700)	-	-	-	-	-	-	-
						42,676	43,153	477	6.48	11.88	
<b>Food and Personal Care Products</b>											
Al-Shaheer Corporation	-	40,500	5,950	(45,950)	500	26	26	-	0.00	0.01	-
Engro Foods Limited	-	38,000	-	(38,000)	-	-	-	-	-	-	-
						26	26	-	0.00	0.01	

35 Pakistan Sarmaya Mehfooz Fund

\* These represent transactions with related parties.

The above include shares with a market value aggregating to Rs. 19,906 million which have been pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by SECP.

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

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

## 6.2 Government securities - Available for sale

Name of investee company	As at June 30, 2015	Purchased during the period	Face value		Matured during the year	As at June 30, 2016			Market value as a percentage of net assets	Market value as a percentage of total investment
			Disposed off during the period	As at June 30, 2016		Cost	Market value	Appreciation		
Pakistan Investment Bonds -03 years	200,000	100,000	300,000	-	-	-	-	-	-	-
As at June 30, 2016										
As at June 30, 2015						203,986	208,462	4,476	28.13	32.62

## 6.3 Listed equity securities - Held for trading

Engineering	-	1,000	-	(1,000)	-	-	-	-	-	-
Crescent Steel And Allied Products Limited	-	-	-	-	-	-	-	-	-	-
As at June 30, 2016										
As at June 30, 2015										

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

Issue date	Tenor	Face value			Balance as at June 30, 2016				Market value as percentage of net assets	Market value as percentage of total investments
		As at July 01, 2015	Purchases during the year	Sales / matured during the year	As at June 30, 2016	Cost	Market value	Appreciation / (diminution)		
January 22, 2015	12 months	-	100,000,000	100,000,000	-	-	-	-	-	-
As at June 30, 2016										
As at June 30, 2015										

## 6.5 Loans and receivables

Particulars	Profit / mark-up rate	Maturity date	Rupees in '000'		
			Carrying value as at June 31, 2015	Value as a percentage of net assets	Value as a percentage of investment
Term deposit receipts	9.50%	December 19, 2016	160,000	24.04	44.05
As at June 30, 2016			160,000	24.04	44.05
As at June 30, 2015			160,000	21.59	25.03

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

		2016	2015
		(Rupees in '000)	
<b>6.6 Unrealised appreciation / (diminution) in value of investments classified as available for sale</b>			
Market value of investments	6.1, 6.2	203,233	479,121
Cost / carrying amount of investments	6.1, 6.2	201,634	463,087
		<u>1,599</u>	<u>16,034</u>
Less: Unrealised appreciation / (diminution) in value of investments classified as available for sale at beginning of the period - not considered as impaired		<u>19,983</u>	-
		<u>(18,384)</u>	<u>16,034</u>
Unrealised appreciation / (diminution) in value of available for sale investments reclassified to income statement from other comprehensive income - consider as impaired		<u>3,950</u>	-
		<u>(14,434)</u>	<u>16,034</u>

## 6.7 Impairment Loss

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

	Weighted average cost	Reclassification of opening reserve on impairment	For the year impairment loss	Carrying amount as at June 30, 2016
	----- (Rupees in '000) -----			
Lalpir Power Limited	21,553	2,643	6,201	12,709
Pakgen Power Limited	17,422	1,307	3,898	12,217
	<u>38,975</u>	<u>3,950</u>	<u>10,099</u>	<u>24,926</u>

	Note	2016	2015
		(Rupees in '000)	
<b>7. DIVIDEND AND PROFIT RECEIVABLE</b>			
Profit on Pakistan Investment Bonds		-	10,110
Dividend receivable		492	880
Profit on term deposit receipts		23,029	7,787
Profit on saving accounts		372	281
		<u>23,893</u>	<u>19,058</u>
<b>8. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Advance tax		145	21
Security deposits - National Clearing Company of Pakistan Limited	8.1	2,500	2,500
- Central Depository Company of Pakistan Limited	8.2	100	100
Prepayments		-	180
		<u>2,745</u>	<u>2,801</u>



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

- 8.1 This represents deposit in respect of trading of listed securities.
- 8.2 This represents deposit on account of initial deposit for opening of investor account for electronic transfer of book entry securities.

	Note	2016 (Rupees in '000)	2015
<b>9. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	9.1	1,192	1,192
Provision for Federal Excise Duty and related tax on:	9.2		
- Management fee		1,947	696
- Sales load		2,307	2,303
Withholding tax on dividend distribution		1,949	2,444
Zakat on encashment of term deposit receipts		3,652	1,033
Auditors' remuneration		419	290
Brokerage		489	399
Printing and related expenditure		133	30
Others		248	-
		<b>12,336</b>	<b>8,387</b>

## 9.1 Provision for workers welfare fund

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

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

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

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment. In view of the afore mentioned developments and uncertainties created by the decision of SHC, management company, as a matter of abundant precaution, has decided to charge the entire provision for WWF in these financial statements.

Furthermore, in the Finance Act 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 01, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of prudence, has decided to retain the provision for WWF amounting to Rs. 1.19 million in these financial statements pertaining to period July 01, 2011 to June 30, 2015 and have not recognised any further provision there against. During the year ended June 30, 2016 the Fund charged Rs. Nil on account of WWF. Had the said provision of WWF not been recorded in the books of account of the Fund, the Net Asset Value (NAV) of the Fund would have been higher by Rs. 0.19 per unit as at June 30, 2016.

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

## 9.2 Federal excise duty and related tax payable

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

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

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

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

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs. 4.25 million (2015: Rs. 3 million).

## 10. CONTINGENCIES AND COMMITMENTS

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

		2016	For the period from December 22, 2014 to June 30, 2015
	Note		(Rupees in '000)
<b>11. REMUNERATION OF MANAGEMENT COMPANY</b>			
11.1 Management fee	11.1	<u>6,891</u>	<u>3,776</u>

Under the provisions of the Non-Banking Finance Companies and Notified Entities 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 net assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. The Management Company has charged a remuneration at the rate of 1% per annum of average daily Net Assets. 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% under Finance Act 2013 (Refer note 9.2)

		2016	For the period from December 22, 2014 to June 30, 2015
	Note		(Rupees in '000)
<b>12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			

Remuneration to trustee	12.1	<u>896</u>	<u>491</u>
12.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund.			

Based on the Trust Deed, the tariff structure applicable to the Fund from December 22, 2014 to June 30, 2015 is as follows:

Amount of Funds Under Management (Average NAV)	Tariff per annum
Daily NAV	0.13% per annum of average daily Net Assets
The remuneration is paid to the trustee monthly in arrears.	

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

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

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13th, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 14% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 (amended upto 2015). Accordingly, the Fund has made an accrual of Rs. 0.126 million on account of Sindh Sales Tax on services chargeable on custodianship services.

## 14. SECURITIES AND EXCHANGE COMMISSION OF

		2016	For the period from December 22, 2014 to June
	Note	(Rupees in '000)	
Annual fee	14.1	<u>517</u>	<u>283</u>

14.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme is required to pay as annual fee to the SECP equal to 0.075 percent of the average annual net assets of the Fund.

		2016	For the period from December 22, 2014 to June
	Note	(Rupees in '000)	

## 15. ALLOCATED EXPENSES

Reimbursement of fees and expenses	15.1	398	-
Sales tax on allocated expenses		<u>56</u>	<u>-</u>
		<u>454</u>	<u>-</u>

15.1 The SECP via SRO 1160 dated November 25, 2015 amended Clause 60 of NBFC Regulations, 2008 entitling the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund has made an accrual of Rs. 0.454 million since November 27, 2015 at the maximum rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

		2016	For the period from December 22, 2014 to June
		(Rupees in '000)	

## 16. AUDITORS' REMUNERATION

Audit fee	250	250
Half yearly review	125	25
Other certification and services	100	40
Out of pocket expenses	<u>131</u>	<u>4</u>
	<u>606</u>	<u>319</u>

## 17. TAXATION

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. 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 period to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these financial statements.

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

## 18. CASH AND CASH EQUIVALENTS

	2016	2015
	(Rupees in '000)	
Balances with banks - in saving accounts	<u>288,274</u>	<u>90,942</u>

## 19. TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected persons of the Funds 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 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.

	2016	For the period from December 22, 2014 to June
	(Rupees in '000)	

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

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

Remuneration including indirect taxes	9,107	5,037
Reimbursement of Sindh Sales tax registration	-	8
Allocated expenses	454	-

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

Remuneration	1,022	491
CDC Charges	34	53

#### MCB Bank Limited

Profit on bank deposits and term deposit receipts	15,285	11,454
Bank charges	13	31

#### Lalpir Power Limited

Dividend Income	1,240	620
-----------------	-------	-----

#### Pakgen Power Limited

Dividend Income	1,074	537
-----------------	-------	-----

#### Arif Habib Limited

Brokerage *	117	177
-------------	-----	-----

#### Next Capital Limited

Brokerage *	94	95
-------------	----	----

#### MCB Employees Pension Fund

Issue of Nil units (2015 : 515,450 units)	-	51,675
Dividend paid	1,546	1,675

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

	2016	2015
	(Rupees in '000)	
<b>Adamjee Insurance Company Limited Employees Provident Fund</b>		
Issue of Nil Units (2015 : 103,090 units)	-	10,335
Dividend paid	309	335
<b>Adamjee Life Assurance Company Limited Employees Gratuity Fund</b>		
Issue of Nil Units (2015 : 21,057 units)	-	2,111
Dividend paid	47	68
* The amount disclosed represents the amount of brokerage paid to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not the connected persons.		
<b>19.2 Amount outstanding as at year end</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration payable	548	611
Sales tax payable on management fee	77	91
Legal and professional charges payable	-	100
Allocated expenses	55	-
Sales load payable	-	305
Other payable	-	4,314
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	71	79
Sales tax payable on trustee fee	10	-
<b>MCB Bank Limited</b>		
Bank deposits	3,111	88,005
Term deposit receipts	160,000	160,000
Profit receivable	23,072	8,028
<b>D.G. Khan Cement Company Limited</b>		
32,000 shares held (2015 : 100,000 Shares)	6,096	14,277
<b>Lalpir Power Limited</b>		
620,000 shares held (2015 : 620,000 Shares)	13,454	18,910
<b>Pakgen Power Limited</b>		
537,000 shares held (2015 : 537,000 Shares)	12,914	16,115
<b>Arif Habib Limited</b>		
Brokerage payable	88	27
<b>Next Capital Limited</b>		
Brokerage payable	52	81
<b>MCB Employees Pension Fund</b>		
Units held 530,199 (2015 : 515,450 units held)	55,927	55,476
<b>Adamjee Insurance Company Limited Employees Provident Fund</b>		
Units held 106,040 (2015 : 103,090 units held)	11,185	11,095
<b>Adamjee Life Assurance Company Limited Employees Gratuity Fund</b>		
Units held 21,509 (2015 : 21,057 units held )	2,269	2,266

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

## 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

20.1 Detail of members of the investment committee of the Fund as at June 30, 2016 are as follows:

	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	18
2	Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	5
3	Mr. Muhammad Asim	Asset Class Specialist -Equities	MBA & CFA	13
4	Mr. Saad Ahmed	Asset Class Specialist - Fixed Income	MBA	10
5	Mr. Muhammad Aitazaz	Research Analyst	BBA & CFA (II)	2.5

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

- MCB Pakistan Stock Market Fund
- Pakistan Capital Market Fund
- MCB Pakistan Asset allocation fund
- Pakistan Pension Fund

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

	2016 (Percentage)
1 Arif Habib Limited	14.27
2 Js Global Capital Limited	11.28
3 Next Capital Ltd	9.14
4 Top Line Securities Pvt Ltd	5.85
5 Nael Capital Pvt Ltd	4.66
6 Optimas Capital Management Pvt Ltd	4.65
7 Intermarket Securities Ltd	4.44
8 Habib Metro Financial Services	4.44
9 Al Habib Capital Markets Pvt Ltd	3.76
10 Invest And Finance Securities Ltd	3.49
	<b>For the period from December 22, 2014 to June (Percentage)</b>
1 Fortune Securities Limited	11.86
2 Foundation Securities Limited	10.52
3 Arif Habib Limited	9.76
4 Invest And Finance Securities Limited	9.17
5 JS Global Capital Limited	7.38
6 Taurus Securities Limited	6.68
7 Optimas Capital Management (Private) Limited	5.96
8 Nael Capital (Private) Limited	5.70
9 Next Capital Limited	5.22
10 DJM Securities (Private) Limited	5.16



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

## 22. PATTERN OF UNIT HOLDINGS

As at June 30, 2016				
Category	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	291	3,465,104	365,509	54.92
Associated companies / directors	3	657,747	69,381	10.42
Retirement Funds	32	1,760,339	185,686	27.90
Non Profit Organisations	4	58,140	6,133	0.92
Others	3	368,173	38,836	5.84
	333	6,309,503	665,545	100.00
As at June 30, 2015				
Category	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	152	4,116,227	443,014	59.79
Associated companies / directors	3	639,596	68,837	9.29
Retirement funds	32	1,710,486	184,093	24.84
Other companies	4	361,485	38,905	5.25
Others	2	56,919	6,126	0.83
	193	6,884,713	740,976	100.00

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

## 23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

\* Mr. Yasir Qadri resigned on 4 January 2016

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

## 24. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. Risk of the Fund is being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mentioned 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 equity securities while a combination of investments in bank deposits and government securities are used to take fixed-income exposure with a view to provide capital protection.

### 24.1 Market risk

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

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

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

#### 24.1.1 Currency risk

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

#### 24.1.2 Interest rate risk

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

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

## a) Sensitivity analysis for fixed rate instruments

Presently, the Fund holds Pakistan Investment Bonds and Term Deposit Receipts which are classified as 'available for sale' and 'loans and receivables' respectively. In case of 100 basis points increase in rates announced by Financial Markets Association of Pakistan (FMAP) on June 30, 2016 with all other variables held constant, the total comprehensive income for the period and net assets would be lower by Rs. 2.383 million. In case of 100 basis points decrease in rates announced by FMAP on June 30, 2016 with all other variables held constant, the net income for the year and net assets would be higher by Rs. 2.358 million.

## b) Sensitivity of variable rate instruments

Presently the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

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

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

2016						
	Yield / effective interest rate (%)	Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
------(Rupees in '000) -----						
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75-6.95	288,274	-	-	-	288,274
Investments		-	-	160,000	203,233	363,233
Dividend and profit receivable		-	-	-	23,893	23,893
Security deposits		-	-	-	2,600	2,600
		288,274	-	160,000	229,726	678,000
Financial Liabilities						
Payable to the Management Company		-	-	-	679	679
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	81	81
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	517	517
Accrued expenses and other liabilities		-	-	-	1,289	1,289
		-	-	-	2,566	2,566
On-balance sheet gap		288,274	-	160,000	227,160	675,434
Off-balance sheet gap		-	-	-	-	-

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

	2015					
	Exposed to Yield / Interest risk				Not exposed to Yield / Interest rate risk	Total
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year			
------(Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Balances with banks	5.5-8.5	90,942	-	-	-	90,942
Receivable against sale of investments			-	-		-
Investments		-	-	160,000	479,121	639,121
Dividend and profit receivable		-	-	-	19,058	19,058
Security deposits		-	-	-	2,600	2,600
		90,942	-	160,000	500,779	751,721
<b>Financial Liabilities</b>						
Payable to the Management Company		-	-	-	5,379	5,116
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	79	79
Payable to the Securities and Exchange Commission of Pakistan		-	-	-	283	283
Accrued expenses and other liabilities		-	-	-	719	1,024
		-	-	-	6,460	6,502
<b>On-balance sheet gap</b>		<b>90,942</b>	<b>-</b>	<b>160,000</b>	<b>507,239</b>	<b>758,223</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 24.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified as available-for-sale. To manage price risk arising from investment in equity securities, the Fund's investment policy restricts investments in listed equity securities upto 50% of the total investments portfolio. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decisions.

In case of 5% increase / decrease in KSE 100 index on June 30, 2016, the total comprehensive income for the period and net assets would be increased / decreased by Rs. 10.724 million as a result of gains / losses on equity securities classified as 'available for sale' investments.

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

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

## 24.2 Credit risk

Credit risk represents of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on investments and balances with banks. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in 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 at June 30, 2016 is the carrying amounts of following financial assets.

	2016	2015
	(Rupees in '000)	
Balances with banks	288,274	90,942
Investments	160,000	368,462
Dividend and profit receivable	23,893	19,058
Security deposits	2,600	2,600
	<u>474,767</u>	<u>481,062</u>

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

Bank balances by rating category	2016	2015
	----- % -----	
Long - term / Short - term		
AA / A1+	96.70	0.00
AAA / A1+	1.08	96.77
AA+ / A1+	2.21	3.23
	<u>100</u>	<u>100</u>

### Term deposit receipts

AAA / A1+	<u>100%</u>	<u>100%</u>
-----------	-------------	-------------

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is the carrying amount of the financial assets. Impairment amounting to Rs. 14.049 million has been recorded during the year.

### 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.

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

## Concentration of credit risk

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

## Settlement risk

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

## 24.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, if any, at the option of unit holders. The Fund's approach to manage 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 or are government backed securities and can be readily disposed and are considered readily realisable.

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

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

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.

	2016			
	Total	Upto three months	More than three months and upto one year	More than one year
	-----Rupees in '000-----			
<b>Financial Liabilities</b>				
Payable to the Management Company	679	679	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	81	81	-	-
Accrued expenses and other liabilities	1,289	1,289	-	-
	<b>2,049</b>	<b>2,049</b>	<b>-</b>	<b>-</b>



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

	2015			
	Total	Upto three months	More than three months and upto one year	More than one year
	Rupees in '000			
Financial Liabilities				
Payable to the Management Company	5,379	5,379	-	-
Payable to the Central Depository Company of Pakistan Limited - Trustee	79	79	-	-
Accrued expenses and other liabilities	719	719	-	-
	6,177	6,177	-	-

## 24.4 Financial instruments by category

	2016		
	Loans and receivables	Available for sale investments	Total
	----- Rupees in '000 -----		
Financial Assets			
Balances with banks	288,274	-	288,274
Investments	160,000	203,233	363,233
Dividend and profit receivable	23,893	-	23,893
Security deposits	2,600	-	2,600
	474,767	203,233	678,000

	2016		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	Rupees in '000		
Financial Liabilities			
Payable to Management Company	-	679	679
Payable to Central Depository Company of Pakistan Limited - Trustee	-	81	81
Accrued expenses and other liabilities	-	1,289	1,289
	-	2,049	2,049

	2015		
	Loans and receivables	Available for sale investments	Total
	Rupees in '000		
Financial Assets			
Balances with banks	90,942	-	90,942
Investments	160,000	479,121	639,121
Dividend and profit receivable	19,058	-	19,058
Security deposits	2,600		2,600
	272,600	479,121	751,721

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

	2015		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
<b>Financial Liabilities</b>	----- Rupees in '000 -----		
Payable to Management Company	-	5,379	5,379
Payable to Central Depository Company of Pakistan Limited - Trustee	-	79	79
Accrued expenses and other liabilities	-	719	719
	-	6,177	6,177

## 24.5 Fair value of financial instruments

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

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

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

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

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

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

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

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

	2016			Total
	Level 1	Level 2	Level 3	
	----- Rupees in '000 -----			
Investment in government securities				
- available for sale	-	-	-	-
Investment in listed equity securities				
- available for sale	203,233	-	-	203,233
	203,233	-	-	203,233

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

	2015			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
Investment in government securities				
- available for sale	-	208,462	-	208,462
Investment in listed equity securities				
- available for sale	270,659	-	-	270,659
	270,659	208,462	-	479,121

## 25. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

The Fund's capital is represented by redeemable units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund.

The Fund's objective in managing the unit holders' fund is to ensure a stable base to maximise returns to all investors and to manage liquidity risk arising from redemption. In accordance with the risk management policies, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

## 26. RECLASSIFICATION

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

	From	To	June 30, 2015 (Rupees in '000)
Sales load	Accrued expenses and other liabilities	Payable to the Management Company	263


## 27. GENERAL

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

## 28. DATE OF AUTHORIZATION FOR ISSUE

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

**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, 2016**

Category	No.of Unit Holders	Units
<b>Associated Companies, undertakings and related Parties</b>		
MCB Employees Pension Fund	1	530,199
Adamjee Insurance Company Limited Employees Provident Fund	1	106,040
Adamjee Life Assurance Company Limited Employees Gratuity Fund	1	21,509
<b>Mutual Funds</b>	-	-
<b>Directors and their spouse (s) and minor children</b>	-	-
<b>Executives</b>	-	-
<b>Public sector companies and corporations</b>	-	-
<b>Banks, Development Finance Institutos, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds</b>	32	1,760,339
<b>Unitholders holding 5 percent or more Voting interest in the listed company</b>	-	-
<b>Others</b>	298	3,891,416
	<b>333</b>	<b>6,309,503</b>

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

No. of Unit Holder	Unit holdings	Total Units Held
195	1-10000	575,001
122	10001-100000	3,038,310
16	100001-1000000	2,696,192
	1000001 onwards	
<u>333</u>		<u>6,309,503</u>

## PERFORMANCE TABLE

Performance Information	2016	2015
Total Net Assets Value – Rs. in million	665,545	740,976
Net Assets value per unit – Rupees	105.48	107.63
Closing Repurchase Price	103.37	101.5259
Highest Redemption price per unit	107.51	106.93
Lowest Redemption price per unit	102.44	101.38
Distribution per unit – Rs.	3.00	3.35
<b>Average Annual Return - %</b>		
One year	0.81	10.95
Two year	5.88	N/a
Three year	N/a	N/a
Net Income for the year – Rs. in million	17.79	58.39
Distribution made during the year – Rs. in million	18.46	22.45
Accumulated Capital Growth – Rs. in million	(1)	36

### \* Date of Distribution

2016	
Date	Rate

June 24, 2016      3.00

2015	
Date	Rate

June 22, 2015      3.35

### Disclaimer

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

## PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2016

---

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website ([www.mcbah.com](http://www.mcbah.com)). During the financial year, the Management Company on behalf of the fund participated in all shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Reason for Abstaining</b>
Number	17	17	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.





## Be aware, Be alert, Be safe

Learn about investing at  
[www.jamapunji.pk](http://www.jamapunji.pk)

### Key features:

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

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



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

[jamapunji.pk](http://jamapunji.pk)

[@jamapunji\\_pk](https://twitter.com/jamapunji_pk)

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

Please find us on



by typing: **Bachat Ka Doosra Naam**

For any complaint/query/suggestion, please email at [mcbah.qa@mcbah.com](mailto:mcbah.qa@mcbah.com)

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

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

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

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

URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)