

**Annual Report
2016**



Rizq Har Zinda Cheez Ko

PAKISTAN
**INTERNATIONAL
ELEMENT ISLAMIC
ASSET ALLOCATION
FUND**

MCB-Arif Habib Savings and Investments Limited

Rated: 'AM2++' by PACRA

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited 24 th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Muhammad Asif Mehdi	
Company Secretary	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Limited CDC House, 99-B Block 'B' S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited United Bank Limited Habib Bank Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Al-Habib Limited Deutsche Bank Habib Metropolitan Bank Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541, Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
Rating	AM2 ++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan International Element Islamic Asset Allocation 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.

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

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

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

FUND PERFORMANCE

During the period under review, the fund delivered a return of 5.09% as against its benchmark return of 13.53%.

On the equities front, the overall allocation was 82.6% at the end of the period under review. The fund increased its exposure in Power Generation & Distribution, Cement and fertilizers while reducing its exposure towards Oil and Gas sector during the period.

On the fixed income side, there was no exposure towards Sukuk as it stood at 0.0% of the portfolio at the end of the period under review.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 821 million as compared to Rs. 804 million as at June 30, 2015 registering an increase of 2.1%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 63.52 as compared to opening NAV of Rs. 60.93 per unit as at June 30, 2015 registering an increase of Rs. 2.59 per unit.

FUTURE OUTLOOK

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

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

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

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

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

Corporate Governance

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

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

1. Meeting of the Audit Committee.

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

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

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

** Attended 6th meeting as Acting CEO.

- n. No trades in the Units of the Fund was carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer and Company Secretary, Chief Financial Officer and Chief Internal Auditor of the Management Company and their spouses and minor children.

External Auditors

The fund's external auditors, Ernst & Young Ford Rhodes Sidat Hyder, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2017. The audit committee of the Board has recommended reappointment of Ernst & Young Ford Rhodes Sidat Hyder as auditors of the fund for the year ending June 30, 2017.

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem

Chief Executive Officer

August 05, 2016

ڈائریکٹرز رپورٹ

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

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”ارنسٹ اینڈ یوگ فورڈ رھوڈز سادات حیدر“ نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2017ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

05 اگست 2016ء

ڈائریکٹر رپورٹ

مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات ملحقہ مالیاتی گوشواروں کے نوٹ 20.3 میں پیش کی گئی ہیں۔ 30 جون 2016ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

1. آڈٹ کمیٹی کی میٹنگ

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

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

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

2. ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

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

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

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

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

ڈائریکٹر رپورٹ

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

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

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

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

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

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

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

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

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

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

i. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

j. پراویڈنٹ فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ مینجمنٹ کمپنی کی ڈائریکٹر رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

k. دوران سال دی انسٹیٹیوٹ آف چارٹرڈ اکاؤنٹنٹس آف پاکستان کے منعقدہ ڈائریکٹرز تریٹی پروگرام میں چیف ایگزیکٹو آفیسر نے شرکت کی۔ (باقی تمام ڈائریکٹرز یہ تریٹی 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

ڈائریکٹر رپورٹ

سالِ 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 افراطِ زر پہلی ششماہی میں تقریباً 4% کی سطح پر قابو میں رہے گی، چنانچہ ایک مستحکم مانیٹری پالیسی کے ماحول کے لئے فریم ورک موافق ہے اور اس میں کسی عنصر کو بیرونی جہت میں مستحکم کرنے کی گنجائش موجود ہے۔

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

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

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

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے منافع کے متعین شدہ معیار 13.53% کے مقابلے میں 5.09% منافع کمایا۔

ایکویٹیز کے میدان میں مجموعی اختصاص زیر جائزہ مدت کے اختتام پر 82.6% کر دیا گیا۔ دوران مدت فنڈ نے بجلی کی پیداوار اور تقسیم اور سیمنٹ اور کھاد کے شعبوں میں اپنی شمولیت میں اضافہ کیا جبکہ تیل اور گیس کے شعبے میں اپنی شمولیت میں کمی کی۔

بندھی ہوئی آمدنی کے شعبے میں زیر جائزہ مدت کے دوران فنڈ کی سسٹم میں کوئی شمولیت نہیں تھی، یعنی پورٹ فولیو کا 0.0% تھی۔

30 جون 2016ء کو فنڈ کے net اثاثے 821 ملین روپے تھے جبکہ 30 جون 2015ء کو 804 ملین روپے تھے، یعنی 2.1% اضافہ ہوا۔

30 جون 2016ء کو Net Asset Value (NAV) فی یونٹ 63.52 روپے تھی جبکہ 30 جون 2015ء کو ابتدائی NAV فی یونٹ 60.93 روپے تھی، یعنی 2.59 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

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

ایکویٹیز مارکیٹ کا جائزہ

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

سیمنٹ کا شعبہ مذکورہ مدت میں 29.0% ترقی کے ساتھ سب سے آگے رہا۔ بڑے پیمانے پر سیمنٹ کی فروخت اور اس کے ساتھ 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 اٹھانے 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 یورپ 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۔

بورڈ آف ڈائریکٹرز کی طرف سے ”پاکستان انٹرنیشنل ایلیمنٹ اسلامک Asset مینجمنٹ فنڈ“ کے 30 جون 2016ء کو ختم ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

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

تیل کی گری ہوئی قیمتوں اور گزشتہ سال کے بڑھے ہوئے base effect کی وجہ سے افراط زر اس سال بھی موافق رہی۔ افراط زر کا سال بھر کا اوسط تقریباً 2.85% ہے، جبکہ پہلی ششماہی میں تقریباً 2% تھا۔ مالی سال 2016ء کی تیسری سہ ماہی سے پست base effect کے 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 سست روی اور حریفوں کے مقابلے میں روپے اور ڈالر کے نسبتاً غیر موافق توازن کے باعث اشیاء کی پست قیمتوں سے کرنٹ اکاؤنٹ کی صورتحال بدستور تشویش ناک رہی۔ درآمدات میں صرف تقریباً 3.5% کمی نے تجارتی خسارے میں اضافہ کیا کیونکہ تیل کی کم قیمتوں کا مثبت اثر بجلی کے لئے مشینری کی درآمد میں اضافے سے زائل ہو گیا جبکہ کپاس کی بہت کم پیداوار کی وجہ سے پیدا ہونے والے خلاء کو بھی درآمدات سے پُر کرنا پڑا۔ تراسیل زر خلیجی معیشتوں کی کمزور معاشی صورتحال کے مطابق لچکدار رہیں اور ان میں 6% کا اضافہ ہوا۔ تاہم ادائیگیوں کے توازن کی حتمی صورتحال بیرونی قرضوں کے حصول اور کثیرالجہتی ایجنسیوں سے فراہمیوں کے ذریعے 1.05 بلین USD فاضل پر تھی۔

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

Fund Type and Category

Pakistan International Element Islamic Asset Allocation Fund (PIEIF) is an Open-End Shariah Compliant Asset Allocation Scheme.

Fund Benchmark

The benchmark for PIEIF is a composite of KMI-30 Index and DJIM-World Index in a proportion of 70% and 30% respectively.

Investment Objective

The objective of the fund is to provide medium to long term capital appreciation through investing in Shariah compliant investments in Pakistan and Internationally.

Investment Strategy

Pakistan International Element Islamic Fund (PIEIF) is an open-end asset allocation fund which seeks to achieve its objective through investing in a portfolio of Shariah compliant investments diversified across the capital markets of Pakistan as well as keeping a limited exposure internationally. The Fund is managed through an active management strategy with dynamic allocation towards different asset classes. The investment process is driven by fundamental research. The domestic portfolio of the Fund primarily invests in fundamentally strong Shariah compliant equities, high quality Sukuks and other Shariah compliant instruments. For equities, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the Fund's portfolio is high quality liquid stocks.

Manager's Review

During the period under review, the fund delivered a return of 5.09% as against its benchmark return of 13.53%.

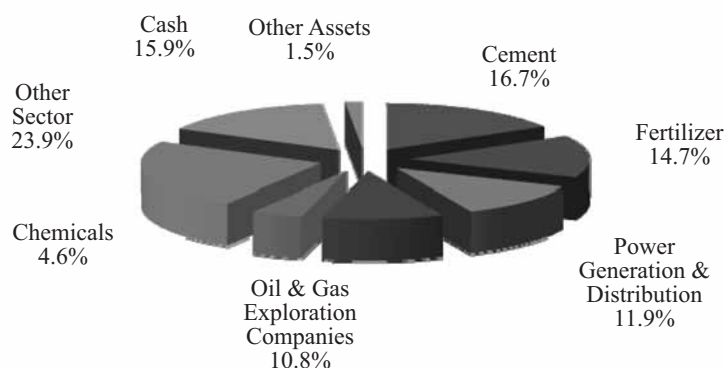
On the equities front, the overall allocation was 82.6% at the end of the period under review. The fund increased its exposure in Power Generation & Distribution, Cement and fertilizers while reducing its exposure towards Oil and Gas sector during the period.

On the fixed income side, there was no exposure towards Sukuk as it stood at 0.0% of the portfolio at the end of the period under review.

The Net Assets of the Fund as at June 30, 2016 stood at Rs. 821 million as compared to Rs. 804 million as at June 30, 2015 registering an increase of 2.1%.

The Net Asset Value (NAV) per unit as at June 30, 2016 was Rs. 63.52 as compared to opening NAV of Rs. 60.93 per unit as at June 30, 2015 registering an increase of Rs. 2.59 per unit.

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



Awais Abdul Sattar, CFA
Fund Manager

Karachi: August 05, 2016

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

CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S. Main Shahra-e-Faisal,
Karachi - 74400, Pakistan.
Tel: (92-21) 111-111-500
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TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION 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 International Element Islamic Asset Allocation 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



REPORT OF THE SHARIAH ADVISORY COUNCIL

REPORT OF THE SHARIAH ADVISORY COUNCIL

Alhamdulillah, the year under review was sixth full year of operations of Pakistan International Element Islamic Asset Allocation Fund (the Fund). We, the Shariah Advisory Council of the Fund, are issuing this report in accordance with the clause 4.17 of the Offering Document of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation made by the management, to the extent where such compliance can be objectively verified.

For screening equities in the local stock market, we have advised a criteria on the basis of the following; (1) Nature of business, (2) Interest bearing debt in relation to the total assets, (3) Illiquid assets in relation to the total assets, (4) Investment in non Shariah compliant activities to total assets, (5) Income from non-compliant Investment to Gross revenue and (6) net liquid assets per share vs. share price

As a part of our mandate as Shariah Advisor to the Fund, we have reviewed the following, during the year;

- The modes of investment of the Fund's property and its compliance with the Shariah guidelines.
- Shariah compliance of new investment avenues proposed by MCBAH.
- Shariah compliance of its International investment.

In the light of the above scope, we hereby certify that all provisions of the scheme and investments made by the Fund for the year ended 30th June 2016 are in compliance with the Shariah Principles.

The management company has been directed to set aside as charity, amount earned as interest from conventional banks. In addition, there are investments made by the Fund where investee companies have earned a part of their income from non-compliant sources (e.g. Interest Income). In Such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

During the year an amount of Rs 309,777 was transferred to the charity account. The total amount of the charity payable as of 30th June 2016 is Rs 309,777.

May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Karachi

Dr. Ejaz Samadani

Date: 05 August 2016

For and on behalf of Shariah Advisory Council

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

This statement is being presented by the Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company) of Pakistan International Element Islamic Asset Allocation 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 International Element Islamic Asset Allocation 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	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Muhammad Saqib Saleem - Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha - Chairman 2. Mr. Nasim Beg - Vice Chairman 3. Mr. Ahmed Jehangir 4. Mr. Samad Habib

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

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

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

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



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

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of **Pakistan International Element Islamic Asset Allocation Fund**, for the year ended **30 June 2016** to comply with the requirements of Regulation No. 5.19.23 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

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

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

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

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

Chartered Accountants
Karachi

Date: 05 August 2016

A member firm of Ernst & Young Global Limited

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



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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan International Element Islamic Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2016**, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Signature

A member firm of Ernst & Young Global Limited

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



Opinion

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2016** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

Other matter

The financial statements for the year ended 30 June 2015 were audited by another firm of Chartered Accountants whose audit report, dated 07 August 2015, expressed an unqualified opinion thereon.

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.

EY Fund Rhodes

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 05 August 2016

Karachi

A member firm of Ernst & Young Global Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2016

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
ASSETS			
Balances with banks	5	133,896	242,427
Receivable against sale of investments		7,540	18,540
Investments	6	696,680	564,586
Profit and other receivables	7	2,320	2,260
Advances and deposits	8	3,205	3,235
Total assets		843,641	831,048
LIABILITIES			
Payable to the Management Company	9	2,347	2,208
Payable to the Trustee	10	160	135
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	11	781	484
Accrued and other liabilities	12	19,844	24,620
Total liabilities		23,132	27,447
NET ASSETS		820,509	803,601
Unit holders' fund (as per statement attached)		820,509	803,601
Contingencies and commitments	13		
NUMBER OF UNITS IN ISSUE			
		12,916,673	13,189,009
NET ASSETS VALUE PER UNIT			
		63.52	60.93

The annexed notes from 1 to 22 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

		June 30, 2016	June 30, 2015
	Note	----- (Rupees in '000) -----	
Income			
Profit on bank deposits		11,428	4,421
Net gain on sale of investments		9,132	99,098
Net unrealised appreciation in the value of investment		109	17,168
Dividend income from equity securities		27,735	23,072
Income from investment in sukuk certificates		6,967	3,261
Income from government securities		366	-
Other income		31	-
Total income		55,768	147,020
Impairment on equity investment		(14,887)	(4,222)
Expenses			
Remuneration of the Management Company		16,111	9,904
Federal excise duty and sales tax on management fee	14	5,201	3,309
Remuneration of the Trustee		1,644	1,019
Sales tax on trustee fee		230	-
Annual fee to SECP		781	484
Expenses allocated by Management			
Company and related taxes		533	-
Brokerage, settlement and bank charges		1,829	2,487
Fees and subscription		353	247
Auditors' remuneration	15	610	522
Printing and related costs		226	245
Donation		310	385
Legal and professional		123	-
Shariah advisory fee		525	-
Provision for Workers' Welfare Fund		-	3,850
Total expenses		28,476	22,452
Net income from operating activities		12,405	120,346
Element of (loss) / income and capital (losses) / gain included in the prices of units sold less those in units redeemed - net			
- from realised / unrealised capital (loss) / gain		(1,581)	63,176
- from other (loss) / income		(362)	5,106
		(1,943)	68,282
Net income for the year before taxation		10,462	188,628
Taxation	16	-	-
Net income for the year after taxation		10,462	188,628

The annexed notes from 1 to 22 form an integral part of these financial statements.

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



Chief Executive Officer



Director

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

	June 30, 2016	June 30, 2015
Note	----- (Rupees in '000) -----	
Net income for the year after taxation	10,462	188,628
Other comprehensive income:		
To be reclassified to profit or loss account in subsequent periods		
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	49,457	30,029
Reclassification adjustment relating to (gain) / loss realised on disposal of investment classified as 'available-for-sale'	(25,807)	21
Total comprehensive income for the year	<u><u>34,112</u></u>	<u><u>218,678</u></u>

The annexed notes from 1 to 22 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

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015 ----- (Rupees in '000) -----
Undistributed income / (loss) brought forward comprises of:		
- Realised income / (loss)	97,141	(35,133)
- Unrealised income	17,168	29,471
Undistributed income / (loss) brought forward - net	114,309	(5,662)
Final distribution:		
- Cash distribution: for the year ended June 30, 2016 declared on June 27, 2016 of Re.0.50 per unit	(6,296)	(70,412)
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	2,709	1,755
Net income for the year	10,462	188,628
	6,875	119,971
Undistributed income carried forward	121,184	114,309
Undistributed income carried forward comprises of:		
- Realised income	121,075	97,141
- Unrealised income	109	17,168
	121,184	114,309

The annexed notes from 1 to 22 form an integral part of these financial statements.


 Chief Executive Officer

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



 Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
Net assets at beginning of the year	803,601	411,020
Issue of 9,921,520 units (2015: 12,053,605 units)	577,740	737,936
Redemption of 10,193,856 units (2015: 7,201,601 units)	(590,591)	(425,339)
	(12,851)	312,597
	790,750	723,617
Element of loss and capital losses included in prices of units sold less those in units redeemed - net		
- amount representing loss / (income) and capital losses / (gains) - transferred to Income Statement		
- from realised / unrealised capital loss / (gain)	1,581	(63,176)
- from other loss / (income)	362	(5,106)
- amount representing unrealised income and capital gains that forms part of the unit holders' fund transferred to Distribution Statement	(2,709)	(1,755)
	(766)	(70,037)
Net income for the year transferred from the distribution statement		
Net gain on sale of investments	9,132	99,098
Net unrealised appreciation on re-measurement of investments classified 'at fair value through profit or loss' - held-for-trading	109	17,168
Other income for the year	1,221	72,362
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	2,709	1,755
Distributions made during the year (refer to distribution statement)	(6,296)	(70,412)
	6,875	119,971
Net unrealised appreciation on re-measurement of investment - classified as 'available-for-sale'	23,650	30,050
Net assets at end of the year	820,509	803,601
	----- (Number of units) ----	
NUMBER OF UNITS IN ISSUE	12,916,673	13,189,009
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	63.52	60.93

The annexed notes from 1 to 22 form an integral part of these financial statements.

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



Chief Executive Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	10,462	188,628
Adjustments for:		
Net unrealised appreciation in the fair value of investments	(109)	(17,168)
Impairment on equity investment	14,887	4,222
Provision for Workers' Welfare Fund	-	3,850
Element of loss / (income) and capital losses / (gains) included in the prices of units sold less those in units redeemed - net		
- from realised / unrealised capital loss / (gain)	1,581	(63,176)
- from other loss / (income)	362	(5,106)
	<u>27,183</u>	<u>111,250</u>
Increase in assets		
Receivable against sale of investments	11,000	(11,095)
Investments	(123,222)	(236,975)
Advance against investment	-	4,824
Profit and other receivables	(60)	(1,729)
Advances and deposits	30	(39)
	<u>(112,252)</u>	<u>(245,014)</u>
(Decrease) / increase in liabilities		
Payable against purchase of investments	-	(7,993)
Payable to the Management Company	139	1,129
Payable to the Trustee	25	72
Annual fee payable to SECP	297	225
Accrued and other liabilities	(4,776)	12,406
	<u>(4,315)</u>	<u>5,839</u>
Net cash used in operating activities	<u>(89,384)</u>	<u>(127,925)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts against issue of units	577,740	737,936
Net payments on redemption of units	(590,591)	(425,339)
Dividend paid	(6,296)	(70,412)
Net cash (used in) / generated from financing activities	<u>(19,147)</u>	<u>242,185</u>
Net (decrease) / increase in cash and cash equivalents during the year	(108,531)	114,260
Cash and cash equivalents at beginning of the year	242,427	128,167
Cash and cash equivalents at end of the year	<u>133,896</u>	<u>242,427</u>

The annexed notes from 1 to 22 form an integral part of these financial statements.



Chief Executive Officer

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



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

1. LEGAL STATUS AND NATURE OF BUSINESS

The Pakistan International Element Islamic Asset Allocation Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company, "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on December 14, 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC rules 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.

Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

The Fund is an open-ended mutual fund is listed on the Pakistan Stock Exchange Limited (formerly: Karachi, Lahore and Islamabad Stock Exchanges Limited). The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated March 06, 2009 issued by the SECP.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned management quality rating of AM2++ to the Management Company and 4-star short term and 3-star long term rating to the Fund.

Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

2.2 New Standards, Interpretations and Amendments

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

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above accounting standards did not have any effect on the financial statements.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 – Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investment in Associates – Investment Entities: Applying the Consolidation Exception (Amendment)	January 01, 2016
IFRS 10 – Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 11 – Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)	January 01, 2016
IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)	January 01, 2016
IAS 7 – Financial Instruments: Disclosures - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 – Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IAS 16 – Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)	January 01, 2016
IAS 16 – Property, Plant and Equipment IAS 41 Agriculture – Agriculture: Bearer Plants (Amendment)	January 01, 2016
IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)	January 01, 2016

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

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in September 2014. Such improvements are generally effective for accounting periods beginning on or after January 01, 2016. The Company expects that such improvements to the standards will not have any material impact on the Company's financial statements in the period of initial application.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.5 respectively.

3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial assets

The fund classifies its financial assets in following categories:

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

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on regular basis.

a) Financial assets at fair value through profit or loss

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

b) Available-for-sale

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

c) Loans and receivables

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

4.2 Regular way contracts

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

4.3 Initial recognition and measurement

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

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

b) Available-for-sale and loans and receivables

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

4.4 Subsequent measurement

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

a) Equity Securities

The investment of the Fund in equity securities is valued on the basis of quoted market prices available at the stock exchange.

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the difference in value determined in accordance with the above mentioned criteria compared to the carrying amount in respect of available-for-sale financial assets are recognized in other comprehensive income until the available-for-sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

b) Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

c) Loans and receivables

Subsequent to initial recognition financial assets classified as loans and receivables are carried at amortized cost.

4.5 Impairment

The carrying amounts of the Fund's assets are assessed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized immediately as an expense in the income statement. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is reclassified from other comprehensive income and recognized in the income statement. Impairment losses recognized on equity financial assets recognized in the income statement are not reversed through the income statement. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective profit rate.

4.6 Derecognition

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

4.7 Reclassification

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held-for-trading' category to the 'available-for-sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

4.8 Financial liabilities

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

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

4.9 Offsetting of financial assets and liabilities

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

4.10 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 date. 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. Unit Holder's transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request during business hours of 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.

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

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

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

4.12 Proposed distributions

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

4.13 Provisions

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

4.14 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.

4.15 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 in cash amongst the unit holders.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

4.16 Revenue recognition

- Realized capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' - held-for-trading are included in the income statement in the period in which they arise.
- Dividend income is recognized when the right to receive the payment is established.
- Profit on bank deposits is recognized on an accrual basis.
- Profit on investment is recognized on an accrual basis.

4.17 Expenses

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

4.18 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

4.19 Other assets

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

4.20 Foreign currency translation

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

4.21 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.

	Note	June 30, 2016 ----- (Rupees in '000) -----	June 30, 2015
5. BALANCES WITH BANKS			
In current accounts		31,526	81,787
In deposit accounts	5.1	<u>102,370</u>	<u>160,640</u>
		<u>133,896</u>	<u>242,427</u>

5.1 These carry profit at the rate ranging from 3.75% to 6% (2015: 4.44% to 5.26%) per annum and include balance of Rs.24.112 million (2015: Rs.32.108 million) with MCB Bank Limited.

6. INVESTMENTS

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

Listed equity securities	6.1	999	52,662
Sukuk certificates - unlisted	6.2 & 6.3	<u>-</u>	<u>-</u>
		<u>999</u>	<u>52,662</u>

Available-for-sale

Listed equity securities	6.5	<u>695,681</u>	<u>511,924</u>
		<u>696,680</u>	<u>564,586</u>

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

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

Name of the investee company	Number of shares				Balance as at June 30, 2016			Market value	
	As at July 01, 2015	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2016	Carrying value	Market value	As a percentage of total investments	As a percentage of net assets
									As a percentage of total paid-up capital of the investee company
----- (Rupees in '000) -----									
Fertilizer									
Engro Corporation Limited	3,000	-	-	-	3,000	890	999	0.14%	0.12%
						890	999	0.14%	0.57%
Construction and materials (cement)									
Maple Leaf Cement Factory Limited	229,000	-	-	229,000	-	-	-	-	-
						-	-	-	-
Automobile and parts									
Thal Limited (face value Rs.5 each)	25,300	-	-	25,300	-	-	-	-	-
Pak Suzuki Motor Company Limited	22,900	-	-	22,900	-	-	-	-	-
						-	-	-	-
Automobile and parts									
Bata Pakistan Limited	3,620	-	-	3,620	-	-	-	-	-
						-	-	-	-
Electronic and electrical goods									
Pakistan Cables Limited	18,400	-	-	18,400	-	-	-	-	-
						-	-	-	-
Total as at June 30, 2016						890	999	109	
Total as at June 30, 2015						35,494	52,662	17,168	

June 30, 2016
June 30, 2015
----- (Rupees in '000) -----

6.2 Sukuuk Certificates (unlisted) - 'at fair value through profit or loss' - held-for-trading

Carrying value as on June 30	6,119	6,119
Provision for impairment in value as at the beginning of the year	(6,119)	(6,119)
	-	-

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

6.3 At fair value through profit or loss' - held-for-trading Government Ijarah Sukuk (3 years)

Name of instrument	Issue Date	Maturity Date	Rate %	As at July 01, 2015	Purchased during the year	Sold / matured during the year	As at June 30, 2016	Carrying value as at June 30, 2016	Market value as at June 30, 2016	Appreciation / (diminution)	Market value as a % of net assets of the sub-fund
					(Number of certificates)				(Rupees in '000)		
GoP Ijarah Sukuk	18-Dec-15	18-Dec-18	-	-	150,000,000	150,000,000	-	-	-	-	-
GoP Ijarah Sukuk	15-Feb-16	15-Feb-19	-	-	50,000,000	50,000,000	-	-	-	-	-

6.4 Details of non-compliant investment

In accordance with clause (v) of the investment criteria laid down for 'Shariah Compliant Islamic Scheme' in Circular no. 7 of 2009 issued by SECP the Fund is required to invest in any security having rating not lower than the investment grade credit rating of A- and above. However, as at June 30, 2016, the Fund is non-compliant with the above-mentioned requirement in respect of the following investment:

Nature of non-compliant investment	Name of company	Instrument / issuer rating	Value of investment before provision	Value of investment after provision	Percentage of net assets	Percentage of gross assets
			----- (Rupees in '000) -----	----- (Rupees in '000) -----	%	%
Unlisted Sukuk Certificates	Pak Elektron Limited - Sukuk	Un-rated	6,119	6,119	-	-

6.4.1 At the time of purchase, the above security was in compliance of the Circular (i.e. investment grade) and was subsequently downgraded to non-investment grade by Mutual Funds Association of Pakistan (MUFAP) on default by respective issuer in repayment of coupons due on respective dates.

6.5 Listed equity securities 'available-for-sale'

Shares of listed companies are fully paid ordinary shares of Rs.10 each unless stated otherwise.

Name of the investee company	Number of shares				Balance as at June 30, 2016				Market value		
	As at July 01, 2015	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2016	Carrying value	Market value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets	As a percentage of total paid-up capital of the investee company
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
Engineering											
Mughal Iron and Steel Industries Limited	-	279,500	-	279,500	-	-	-	-	-	-	-
Amreli Steels Limited	-	341,494	-	6,494	335,000	17,333	15,752	(1,581)	2.26%	1.92%	0.11%
						17,333	15,752	(1,581)	2.26%	1.92%	0.11%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Name of the investee company	Number of shares				Balance as at June 30, 2016			Market value		
	As at July 01, 2015	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2016	Carrying value	Market value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets
----- (Rupees in '000) -----										
Automobile and parts										
Pak Suzuki Motor Company Limited	8,000	-	-	8,000	-	-	-	-	-	-
Indus Motor Company Limited	27,000	-	-	27,000	-	-	-	-	-	-
Automobile assembler										
Millat Tractors Limited	35,000	10,000	-	45,000	-	-	-	-	-	-
Cable and electrical goods										
Pak Elektron Limited	252,500	575,000	18,750	502,500	343,750	21,496	22,223	727	3.19%	2.71%
						21,496	22,223	727	3.19%	2.71%
Cement										
Attock Cement (Pakistan) Limited	1,820	-	-	1,820	-	-	-	-	-	-
Cherat Cement Company Limited	-	272,000	-	34,000	238,000	21,570	28,458	6,888	4.09%	3.47%
Fauji Cement Company Limited	1,000,000	200,000	-	1,200,000	-	-	-	-	-	-
Kohat Cement Limited	-	90,600	-	40,600	50,000	12,483	13,096	613	1.88%	1.60%
Lucky Cement Limited	40,000	87,000	-	42,000	85,000	47,508	55,123	7,615	7.91%	6.72%
Maple Leaf Cement Factory Limited	175,000	505,000	-	500,000	180,000	17,595	18,992	1,397	2.73%	2.32%
Pioneer Cement Limited	-	343,500	-	105,000	238,500	24,209	25,615	1,406	3.68%	3.12%
						123,365	141,284	17,919	20.28%	17.22%
Chemicals										
Archroma Pakistan Limited	-	16,000	-	-	16,000	7,285	7,798	513	1.12%	0.95%
I.C.I Pakistan Limited	44,600	17,000	-	-	61,600	26,029	27,413	1,384	3.94%	3.34%
Linde Pakistan Limited	55,000	-	-	21,000	34,000	2,134	3,553	1,419	0.51%	0.43%
						35,448	38,764	3,316	5.56%	4.72%
Fertilizer										
Dawood Hercules Corporation Limited	-	220,000	-	41,000	179,000	22,231	26,648	4,417	3.83%	3.25%
Engro Corporation Limited *	110,000	307,000	-	185,000	232,000	73,911	77,249	3,338	11.09%	9.42%
Engro Fertilizers Limited	-	1,760,000	-	1,469,000	291,000	19,086	18,764	(322)	2.69%	2.29%
Fauji Fertilizer Company Limited	261,900	25,400	-	287,300	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	152,000	-	152,000	-	-	-	-	-	-
						115,228	122,661	7,433	17.61%	14.95%
Household goods										
Tariq Glass Industries Limited	470,000	-	-	126,500	343,500	20,276	25,402	5,126	3.65%	3.10%
						20,276	25,402	5,126	3.65%	3.10%
Glass and ceramics										
Ghani Glass Limited	250,000	-	84,000	334,000	-	-	-	-	-	-
						-	-	-	-	-

**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Name of the investee company	Number of shares					Balance as at June 30, 2016			Market value	
	As at July 01, 2015	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2016	Carrying value	Market value	Appreciation / (Diminution)	As a percentage of total investments	As a percentage of net assets
----- (Rupees in '000) -----										
Oil and gas exploration companies										
Mari Petroleum Company Limited	-	55,400	-	24,600	30,800	21,678	27,973	6,295	4.02%	3.41%
Oil and Gas Development Company Limited	-	306,900	-	93,000	213,900	31,003	29,533	(1,470)	4.24%	3.60%
Pakistan Oilfields Limited	133,700	205,500	-	242,200	97,000	30,878	33,706	2,828	4.84%	4.11%
Pakistan Petroleum Limited	265,490	194,600	-	460,090	-	-	-	-	-	-
						83,559	91,212	7,653	13.09%	11.12%
Oil and marketing companies										
Attock Petroleum Limited	4,750	55,000	-	59,750	-	-	-	-	-	-
Hi-Tech Lubricants Limited	-	399,500	-	42,000	357,500	21,087	21,153	66	3.04%	2.58%
Pakistan State Oil Company Limited	65,000	-	-	65,000	-	-	-	-	-	-
Shell Pakistan Limited	-	50,000	-	35,800	14,200	4,051	4,121	70	0.59%	0.50%
Hascol Petroleum Limited	-	221,000	-	221,000	-	-	-	-	-	-
						25,138	25,274	136	3.63%	3.08%
Paper and board										
Packages Limited	52,450	44,000	-	77,450	19,000	11,319	12,088	769	1.74%	1.47%
						11,319	12,088	769	1.74%	1.47%
Pharma and bio tech										
Abbott Laboratories (Pakistan) Limited	-	32,250	-	-	32,250	21,343	24,317	2,974	3.49%	2.96%
Ferozsons Laboratories Limited	12,300	-	-	12,300	-	-	-	-	-	-
IBL Healthcare Limited	30,000	-	12,600	3,000	39,600	4,386	6,289	1,903	0.90%	0.77%
The Searle Company Limited	-	20,100	2,010	20,100	2,010	797	1,078	281	0.16%	0.13%
						26,526	31,684	5,158	4.55%	3.86%
Power generation and distribution										
Hub Power Company Limited *	25,744	500,000	-	292,000	233,744	24,418	28,063	3,645	4.03%	3.42%
K-Electric Limited	-	-	-	-	-	-	-	-	-	-
(face value Rs.3.5 unit)	190,892	4,300,000	-	-	4,490,892	34,910	36,197	1,287	5.20%	4.41%
Lalpur Power Limited - related party	615,000	250,000	-	-	865,000	18,771	18,771	-	2.69%	2.29%
PAKGEN Power Limited - related party	722,500	-	-	-	722,500	21,112	17,376	(3,736)	2.49%	2.12%
						99,211	100,407	1,196	14.41%	12.24%
Automobile part and accessories										
Agriaautos Industries Limited	-	52,800	-	-	52,800	10,389	10,309	(80)	1.48%	1.26%
(face value Rs.5 unit)	-	57,000	-	57,000	-	-	-	-	-	-
Thal Limited (face value Rs.5 unit)	-	-	-	-	-	-	-	-	-	-
						10,389	10,309	(80)	1.48%	1.26%
Food and personal care products										
Engro Foods Limited	-	150,000	-	149,300	700	114	114	-	0.02%	0.01%
Al-Shaheer Corporation Limited	-	243,500	-	243,500	-	-	-	-	-	-
						114	114	-	0.02%	0.01%

**

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

Name of the investee company	Number of shares				Balance as at June 30, 2016			Market value		
	As at July 01, 2015	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2016	Carrying value	Market value / (Diminution)	As a percentage of total investments	As a percentage of net assets	As a percentage of total paid-up capital of the investee company
(Rupees in '000)										
Miscellaneous										
Shifa International Hospitals Limited	-	93,000	1,911	24,000	70,911	19,919	21,273	3.05%	2.59%	0.07%
						19,919	21,273	3.05%	2.59%	0.07%
Commercial banks										
Meezan Bank Limited	-	243,000	-	243,000	-	-	-	-	-	-
Refinery										
Attock Refinery Limited	-	10,000	-	10,000	-	-	-	-	-	-
Textile composite										
Kohinoor Textile Mills Limited	-	81,000	-	-	81,000	6,279	6,482	0.93%	0.79%	0.19%
Nishat Mills Limited - related party	-	335,000	-	50,000	285,000	30,635	30,752	4.41%	3.75%	0.04%
						36,914	37,234	5.34%	4.54%	0.24%
Total as at June 30, 2016						646,235	695,681		49,446	
Total as at June 30, 2015						486,117	511,924		25,807	

* Investments as at June 30, 2016 include shares with market value of Rs.61.360 million (2015: Rs.20.533 million) which have been pledged with National Clearing Company of Pakistan Limited for guarantee for settlement of the Fund's trades in accordance with Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

** The carrying amounts of Lalpur Power Limited (a related party) and Linde Pakistan Limited have been adjusted with the impairment amounting to Rs.10.098 million, Rs.4.788 million respectively.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
Note	----- (Rupees in '000) -----	
7. PROFIT AND OTHER RECEIVABLES		
Dividend receivable	1,845	1,636
Profit receivable on deposit accounts with banks	475	624
	<u>2,320</u>	<u>2,260</u>

8. ADVANCES AND DEPOSITS

Security deposits with			
- National Clearing Company of Pakistan Limited	8.1	2,500	2,500
- Central Depository Company of Pakistan Limited	8.2	200	200
Advance tax		505	535
		<u>3,205</u>	<u>3,235</u>

8.1 This represents deposit with National Clearing Company of Pakistan Limited in respect of trading of listed securities.

8.2 This represents deposit with Central Depository Company of Pakistan Limited on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	9.1	1,375	1,322
Sales tax on management fee		192	198
Expenses payable to Management Company		83	-
Sales load payable		401	588
Legal and professional charges		-	100
Shariah advisor fee		296	-
		<u>2,347</u>	<u>2,208</u>

9.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. Management Company has charged fee as per the following structure:

Class of units	Management fee as a percentage of average annual net assets
Classes A and B	2%
Classes C and D	1.33%
Class E	1%

10. PAYABLE TO THE TRUSTEE

Trustee fee	10.1	<u>160</u>	<u>135</u>
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10.1 The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:

Average net asset value	Tariff per annum
Up to Rs.1 billion	Rs.0.7 million or 0.20% per annum of net assets, whichever is higher
Amount exceeding Rs.1 billion	Rs.2.0 million plus 0.10% p.a. of net assets exceeding Rs.1 billion

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

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

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% (June 30, 2015: 0.095%) of the average daily net assets of the Fund.

		June 30, 2016	June 30, 2015
	Note	----- (Rupees in '000) -----	
12. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	12.1	9,641	9,641
Federal Excise Duty payable on management fee	14	5,910	2,956
Federal Excise Duty payable on sales load	14	1,136	487
Charity / donation payable		310	385
Auditors' remuneration		423	363
Zakat payable		291	289
Withholding tax payable		101	9,581
Brokerage payable		1,591	602
Other payables		441	316
		19,844	24,620

12.1 Provision for Workers' Welfare Fund

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

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

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

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

Furthermore, in the Finance Act, 2015, the mutual funds have been excluded from the levy of WWF. As this change has been made in the definition of the term 'Industrial Establishment' as defined in the Workers' Welfare Fund Ordinance, 1971, the change may appear to apply prospectively. Accordingly, the management is of the view that this change is applicable from July 01, 2015. Hence, the matter regarding previous years would either need to be clarified by FBR or would be resolved through courts. The Management Company, as a matter of abundant caution, has decided to retain the provision for WWF amounting to Rs.9.641 million (2015: Rs.9.641 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 provision of WWF not been recorded in the books of account of the Fund, the net asset value per unit of the Fund would have been higher by Rs.0.75 per unit (1.17%) (2015: Rs.0.73 per unit (1.20%)) as at June 30, 2016.

13. CONTINGENCIES AND COMMITMENTS

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

14. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

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

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

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

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

In view of the pending decision and as a matter of abundant caution, the Management Company of the Fund has made a provision for FED in the books of accounts of the Fund with effect from June 13, 2013 to June 30, 2016 aggregating to Rs.7.046 million (2015: Rs.3.443 million).

June 30, June 30,
2016 2015
----- (Rupees in '000) -----

15. AUDITORS' REMUNERATION

Annual audit fee	250	250
Half yearly review fee	125	125
Other certification and services	100	100
	475	475
Sales tax	29	24
Out of pocket expenses	106	23
	<u>610</u>	<u>522</u>

16. TAXATION

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

17. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

17.1 Details of transactions with connected persons are as follows:

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration (including indirect taxes)	21,312	13,213
Reimbursement for registration in Sindh Revenue Board	-	8
Expense allocated by Management		
Company and related taxes	533	-
Shariah advisory fee	525	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration	1,874	1,019
CDS settlement charges	32	97
MCB Bank Limited		
Bank charges	20	-
Arif Habib Limited - Brokerage House		
Brokerage expense *	253	245
Next Capital Limited		
Brokerage expense *	214	113
Dera Ghazi Khan Cement Company Limited		
Dividend income	-	525
Fatima Fertilizer Company Limited		
Dividend income	-	1,210
Pakgen Power Limited		
Dividend income	723	505
Nishat Mills Limited		
Purchase of shares: 335,000 (2015: 132,900)	35,944	16,397
Sale of shares: 50,000 (2015: 133,000)	6,204	16,137
Dividend income	-	400
Lalpir Power Limited		
Dividend income	1,730	615
Key management personnel		
Issue of 38,645 units (2015: 149,394 units)	2,359	8,742
Dividend of 287 units (2015: 2,998 units)	18	28,572
Redemption of 38,220 units (2015: 138,689 units)	2,332	(8,573)
Dividend paid	16	174
Dera Ghazi Khan Cement Company Limited Employees Provident Fund Trust		
Issue of 801 units (2015: 8,809 units)	50	542
Dividend paid	50	542

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Adamjee Life Assurance Company Limited - (Amanat Fund)		
Issue of Nil units (2015: 86,222 units)	-	5,000
Redemption of Nil units (2015: 360,630 Units)	-	23,183
Security Papers Limited		
Issue of Nil units (2015: 2,322,922 units)	-	149,841
Issue of Nil bonus units (2015: 169,914 units)	-	10,453
Mandate under Discretionary Portfolio Services		
Issue of Nil units (2015: 491,893 units)	-	26,789
Redemption of Nil units (2015: 865,563 units)	-	52,057
Dividend paid	145	2,210
17.2 Amounts outstanding as at the year end		
MCB Arif Habib Savings and Investments Limited - Management Company		
Management fee payable	1,375	1,322
Sindh sales tax payable on management fee	192	198
Front-end load payable	352	511
Sindh sales tax payable on Front-end load	49	77
Legal and professional charges	-	100
Shariah advisory fee payable	296	-
Expense allocated by Management Company	70	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable to trustee (including related taxes)	160	135
Security deposit	200	200
Arif Habib Limited - Brokerage House		
Brokerage payable *	173	18
Next Capital Limited		
Brokerage payable *	71	35
MCB Bank Limited		
Balance with bank	24,112	32,018
Pakgen Power Limited		
Shares held: 722,500 shares (2015: 722,500 shares)	17,376	21,682
Nishat Mills Limited		
Shares held: 285,000 shares (2015: Nil shares)	30,752	-
Lalpir Power Limited		
Shares held: 865,000 shares (2015: 615,000 shares)	18,771	18,758
Key management personnel		
Units held: 39,742 units (2015: 37,148 units)	2,524	2,263
D.G Khan Cement Company Limited - Employees Provident Fund Trust		
Units held: 99,937 units (2015: 99,135 units)	6,348	6,040
Security Papers Limited		
Units held: Nil units (2015: 2,492,836 Units)	-	151,889

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

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

18. 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, profit rate risk and price risk), credit risk and liquidity risk. Risks of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above 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 financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss' - held-for-trading and at 'available-for-sale' and investment in government securities. The Fund also has dividend and profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management Company, Trustee and accrued and other liabilities.

18.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the SECP and the NBFC Regulations, The NBFC Rules.

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

18.1.1 Currency risk

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

18.1.2 Profit rate risk

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

a) Sensitivity analysis of variable rate instruments

Presently, the Fund does not hold any variable profit based investment except balances with bank in deposit account exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease as on June 30, 2016, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.1.023 million (2015: Rs.1.606 million).

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2016 the Fund does not hold any fixed rate instruments, therefore the Fund is not exposed to fair value profit rate risk.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

June 30, 2016						
	Profit rate (%)	Up to three months	Exposed to profit rate risk			Total
			More than three months and up to one year	More than one year	Not exposed to profit rate risk	
On-balance sheet financial instruments						
Financial assets						
Balances with banks	3.75 - 6	102,370	-	-	31,526	133,896
Investments classified:						
At fair value through profit or loss'						
- held-for-trading		-	-	-	999	999
Available-for-sale		-	-	-	695,681	695,681
Receivable against sale of investments		-	-	-	7,540	7,540
Profit and other receivables		-	-	-	2,320	2,320
Advances and deposits		-	-	-	2,700	2,700
		<u>102,370</u>	<u>-</u>	<u>-</u>	<u>740,766</u>	<u>843,136</u>
Financial liabilities						
Payable to the Management Company		-	-	-	2,347	2,347
Payable to the Trustee		-	-	-	160	160
Accrued and other liabilities		-	-	-	3,003	3,003
		<u>-</u>	<u>-</u>	<u>-</u>	<u>5,510</u>	<u>5,510</u>
On-balance sheet gap		<u>102,370</u>	<u>-</u>	<u>-</u>	<u>735,256</u>	<u>837,626</u>

June 30, 2015						
	Profit rate (%)	Up to three months	Exposed to profit rate risk			Total
			More than three months and up to one year	More than one year	Not exposed to profit rate risk	
On-balance sheet financial instruments						
Financial assets						
Balances with banks	4.44 - 5.26	160,640	-	-	81,787	242,427
Investments classified:						
At fair value through profit or loss'						
- held-for-trading		-	-	-	52,662	52,662
Available-for-sale		-	-	-	511,924	511,924
Receivable against sale of investments		-	-	-	18,540	18,540
Profit and other receivables		-	-	-	2,260	2,260
Advances and deposits		-	-	-	1,955	1,955
		<u>160,640</u>	<u>-</u>	<u>-</u>	<u>669,128</u>	<u>829,768</u>
Financial liabilities						
Payable to the Management Company		-	-	-	2,208	2,208
Payable to the Trustee		-	-	-	135	135
Accrued and other liabilities		-	-	-	1,955	1,955
		<u>-</u>	<u>-</u>	<u>-</u>	<u>4,298</u>	<u>4,298</u>
On-balance sheet gap		<u>160,640</u>	<u>-</u>	<u>-</u>	<u>664,830</u>	<u>825,470</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

18.1.3 Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instrument traded in the market.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in notes 6.1 and 6.5.

At June 30, 2016, the fair value of equity securities exposed to price risk is disclosed in note 6.1 and 6.5.

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

	June 30, 2016	June 30, 2015
	----- (Rupees) -----	
<i>Effect due to increase / decrease in KSE 100 index</i>		
Investment and net assets	<u>34,834</u>	<u>28,229</u>
Income statement	<u>34,834</u>	<u>28,229</u>

18.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The credit risk of the Fund principally arises from its investment in debt securities. The Fund is also exposed to counterparty credit risk on cash and cash equivalents, deposits and other receivable balances.

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2016 and June 30, 2015 is the carrying amounts of following financial assets.

	June 30, 2016	June 30, 2015
	----- (Rupees in '000) -----	
Balances with banks	133,896	242,427
Receivable against sale of investments	7,540	18,540
Profit and other receivables	<u>2,320</u>	<u>2,260</u>
	<u>143,756</u>	<u>263,227</u>

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

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2016 and June 30, 2015:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

Bank balances by rating category	Rating	Long-term / short-term	June 30, 2016 ---- (Rupees in '000) ----	June 30, 2015
Deposit accounts				
Habib Metropolitan Bank		AA+/A1+	10,208	160,578
Meezan Bank Limited		AA/A1+	27	22
Habib Bank Limited		AAA/A1+	5,079	-
United Bank Limited		AAA/A1+	860	-
Dubai Islamic Bank		A+/A1	67,690	-
Standard Chartered Bank Limited		AAA/A1+	-	40
Askari Bank Limited		AA+/A1+	18,506	-
			102,370	160,640
Current accounts				
Deutsche Bank			18	20
Habib Metropolitan Bank		AA+/A1+	5,368	49,273
MCB Bank Limited		AAA/A1+	24,112	32,018
United Bank Limited		AAA/A1+	2,016	467
Dubai Islamic Bank		A+/A1	5	-
Bank Al-Habib Limited		AA+/A1+	7	-
Habib Bank Limited		AAA/A1+	-	9
			31,526	81,787
			133,896	242,427

The maximum exposure to credit risk before any credit enhancement as at June 30, 2016 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Receivables against sale of units

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

Advances and deposits

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

Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant 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 credit worthiness and the transactions are settled or paid for only upon delivery using central clearing system.

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

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

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

As at June 30, 2016			
Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
(Rupees in '000)			
Payable to the Management Company	2,347	-	-
Payable to the Trustee	160	-	-
Accrued and other liabilities	3,003	1,591	1,412
	5,510	1,591	1,412

As at June 30, 2015			
Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
(Rupees in '000)			
Payable to the Management Company	2,208	-	-
Payable to the Trustee	135	-	-
Accrued and other liabilities	1,955	602	1,353
	4,298	602	1,353

18.4 Financial instruments by category

As at June 30, 2016			
Loans and receivables	At fair value through profit and loss' - held-for-trading	Available-for-sale investments	Total
(Rupees in '000)			
Assets			
Balances with banks	133,896	-	133,896
Receivable against sale of investments	7,540	-	7,540
Investments	-	999	695,681
Profit and other receivables	2,320	-	2,320
Advances and deposits	2,700	-	2,700
	146,456	999	695,681

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

As at June 30, 2016			
	At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	2,347	2,347
Payable to the Trustee	-	160	160
Accrued and other liabilities	-	3,003	3,003
	<u>-</u>	<u>5,510</u>	<u>5,510</u>

As at June 30, 2015				
	Loans and receivables	At fair value through profit and loss' - held- for-trading	Available-for- sale investments	Total
	----- (Rupees in '000) -----			
Assets				
Balances with banks	242,427	-	-	242,427
Receivable against sale of investments	18,540	-	-	18,540
Investments	-	52,662	511,924	564,586
Profit and other receivables	2,260	-	-	2,260
Advances and deposits	2,700	-	-	2,700
	<u>265,927</u>	<u>52,662</u>	<u>511,924</u>	<u>830,513</u>

As at June 30, 2015			
	At fair value through profit and loss' - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	2,208	2,208
Payable to the Trustee	-	135	135
Accrued and other liabilities	-	1,955	1,955
	<u>-</u>	<u>4,298</u>	<u>4,298</u>

18.5 Fair value hierarchy

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

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

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

- Level 1:** Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2:** Fair value measurements using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3:** Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

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

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

	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Listed equity securities	999	-	-	999
	<u>999</u>	<u>-</u>	<u>-</u>	<u>999</u>
Financial assets classified as 'available-for-sale'				
Listed equity securities	695,681	-	-	695,681
	<u>696,680</u>	<u>-</u>	<u>-</u>	<u>696,680</u>
	June 30, 2015			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Listed equity securities	52,662	-	-	52,662
	<u>52,662</u>	<u>-</u>	<u>-</u>	<u>52,662</u>
Financial assets classified as 'available-for-sale'				
Listed equity securities	511,924	-	-	511,924
	<u>564,586</u>	<u>-</u>	<u>-</u>	<u>564,586</u>

19. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

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

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

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

20. SUPPLEMENTARY NON FINANCIAL INFORMATION

The information regarding pattern of unit holding, list of top ten brokers, attendance at the meetings of the Board of Directors of the Management Company and members of the Investment Committee are as follows:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2016

20.1 Pattern of unit holding

Details of pattern of unit holding as at June 30, 2016

	As at June 30, 2016			
	Number of unit holders ----- (Rupees in '000)	Number of Units held ----- (Rupees in '000)	Investment amount ----- (Rupees in '000)	Percentage investment %
Individuals	1,894	10,540,011	669,536	81.60%
Insurance companies	1	160,379	10,188	1.24%
Retirement funds	1	81,745	5,193	0.63%
Public limited companies	2	1,777	113	0.01%
Others	37	2,132,761	135,479	16.51%
	<u>1,935</u>	<u>12,916,673</u>	<u>820,509</u>	<u>100%</u>

	As at June 30, 2015			
	Number of unit holders ----- (Rupees in '000)	Number of Units held ----- (Rupees in '000)	Investment amount ----- (Rupees in '000)	Percentage investment %
Individuals	1,643	8,489,878	517,288	64.37%
Insurance companies	3	70,144	4,274	0.53%
Retirement funds	24	1,851,941	112,833	14.04%
Public limited companies	1	2,492,872	151,891	18.90%
Others	2	284,175	17,315	2.15%
	<u>1,673</u>	<u>13,189,009</u>	<u>803,601</u>	<u>100%</u>

20.2 Top ten brokers / dealers by percentage of commission paid

	June 30, 2016 (Percentage)
Arif Habib Limited	9.18
Next Capital Limited	7.00
DJM Securities Pvt Limited	6.48
Alfalsh Securities (Pvt) Limited	6.06
Nael Capital (Pvt) Limited	5.92
Invest and Finance Securities Limited	5.87
JS Global Capital Limited	5.64
Optimas Capital Management (Pvt) Limited	5.44
Intermarket Securities Limited	4.30
KASB Securities Limited	4.29

	June 30, 2015 (Percentage)
JS Global Capital Limited	10.67
KASB Securities Limited	9.83
Elixir Securities Pakistan (Private) Limited	6.80
Arif Habib Limited	6.73
Fortune Securities Limited	6.44
Topline securities (Pvt) Limited	6.30
Invest and Finance Securities Limited	6.19
Taurus Securities Limited	5.64
AKD Securities Limited	5.09
Habib Metropolitan Financial Services (Private) Limited	4.88

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

20.3 Attendance at meetings of the 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 24, 2016, May 27, 2016, June 21, 2016 and June 27, 2016 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of persons attending the meetings	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mr. Mian Mohammad Mansha	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
Mr. Nasim Beg	8	7	1	119th
Mr. Yasir Qadri*	8	3	-	-
Dr. Syed Salman Ali Shah	8	8	-	-
Mr. Haroon Rashid	8	8	-	-
Mr. Ahmed Jahangir	8	7	1	122nd
Mr. Samad A. Habib	8	6	2	119th, 125th
Mr. Mirza Mehmood Ahmed	8	-	8	118th, 119th, 120th, 121st, 122nd, 123rd, 124th, 125th
Mr. Muhammad Saqib Saleem (Chief Executive Officer) **	8	5	-	-

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

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

20.4 Particulars of Investment Committee and Fund Manager

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

Names	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	18 years
Mr. Muhammad Asim	Asset Class Specialist - Equities	MBA & CFA	13 years
Mr. Saad Ahmed	Asset Class Specialist - Fixed Income	MBA	10 years
Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	B.COM	9 years
Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	5 years

20.5 Mr. Awais Abdul Sattar is the Fund Manager. He is also the Fund Manager of MCB Pakistan Islamic Stock Fund, MCB Pakistan Frequent Payout Fund and Pakistan Islamic Pension Fund.

21. GENERAL

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

22. DATE OF AUTHORIZATION OF 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
Associated Companies, undertakings and related Parties		
D.G. KHAN CEMENT COMPANY LTD EMPLOYEES PROVIDENT FUND TRUST	1	99,937
Mutual Funds	-	-
Directors and their spouse (s) and minor children		
Executives	7	39,742
Public sector companies and corporations	2	1,777
Banks, Development Finance Institutions, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	22	1,989,485
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	1,903	10,785,732.11
	1,935	12,916,673

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

No. of Unit Holder	Unit holdings	Total Units Held
1687	1-10000	2,718,395
230	10001-100000	6,277,122
18	100001-1000000	3,921,156
	1000001 onwards	
1,935		12,916,673

PERFORMANCE TABLE

Performance Information	2016	2015	2014	2013
Total Net Assets Value – Rs. in million	821	804	411	204
Net Assets value per unit – Rupees	63.52	60.93	49.30	51.04
Closing Offer Price	66.14	62.60	50.66	52.45
Closing Repurchase Price	63.52	60.93	49.30	51.04
Highest offer price per unit	81.14	69.84	55.91	54.58
Lowest offer price per unit	57.86	48.53	48.07	40.95
Highest Redemption price per unit	77.92	67.98	54.41	53.31
Lowest Redemption price per unit	55.56	47.24	46.78	40.13
Distribution per unit – Rs. *	0.50	6.00	5.00	5.14
Average Annual Return - %				
One year	5.09	35.59	18.89	28.38
Two year	20.34	27.24	23.64	28.38
Three year	19.86	27.62	23.64	28.38
Net Income for the year – Rs. in million	10.46	188.63	67.81	45.01
Distribution made during the year – Rs. in million	6.30	70.41	37.83	21.20
Accumulated Capital Growth – Rs. in million	4.17	118.22	29.97	23.80

*** Date of Distribution**

2016	
Date	Rate
June 27, 2016	0.50

2015	
Date	Rate
June 22, 2015	6.00

2014	
Date	Rate
June 27, 2014	5.00

2013	
Date	Rate
July 05, 2014	5.14

Disclaimer

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

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

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 27 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	23	23	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.



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