



MCB-ARIF HABIB  
Savings and Investments Limited

AM2  
BY AKORA

# ANNUAL REPORT 2018

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

**MCB CASH MANAGEMENT OPTIMIZER**

## TABLE OF CONTENTS

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|    |   |     |
|----|---|-----|
| 1  | Fund's Information                                    | 231 |
| 2  | Report of the Director of the Management Company      | 232 |
| 3  | Report of the Fund Manager                            | 239 |
| 4  | Trustee Report to the Unit Holders                    | 241 |
| 5  | Independent Auditor's Report to the Unit Holders      | 242 |
| 6  | Statement of Assets and Liabilities                   | 246 |
| 7  | Income Statement                                      | 247 |
| 8  | Statement of Other Comprehensive Income               | 248 |
| 9  | Statement of Movement in Unit Holder's Fund           | 249 |
| 10 | Cash Flow Statement                                   | 250 |
| 11 | Notes to and Forming Part of the Financial Statements | 251 |
| 12 | Pattern of Units Holding by Size                      | 277 |
| 13 | Performance Table                                     | 278 |

## FUND'S INFORMATION

|  |   |  |
|--|---|--|
| <b>Management Company</b>                              | <b>MCB-Arif Habib Savings &amp; Investments Limited</b><br>24th Floor, Centre Point, Off Shaheed-e-Millat Expressway<br>Near K.P.T. Interchange, Karachi.   |  |
| <b>Board of Directors</b>                              | Mian Muhammad Mansha<br>Mr. Nasim Beg<br>Mr. Muhammad Saqib Saleem<br>Dr. Syed Salman Ali Shah<br>Mr. Haroun Rashid<br>Mr. Ahmed Jahangir<br>Mr. Samad A. Habib<br>Mr. Mirza Qamar Beg  | Chairman<br>Vice Chairman<br>Chief Executive Officer<br>Director<br>Director<br>Director<br>Director<br>Director<br>Director |
| <b>Audit Committee</b>                                 | Mr. Haroun Rashid<br>Mr. Ahmed Jahangir<br>Mr. Mirza Qamar Beg<br>Mr. Nasim Beg   | Chairman<br>Member<br>Member<br>Member   |
| <b>Risk Management Committee</b>                       | Mr. Mirza Qamar Beg<br>Mr. Ahmed Jahangir<br>Mr. Nasim Beg  | Chairman<br>Member<br>Member   |
| <b>Human Resource &amp; Remuneration Committee</b>     | Dr. Syed Salman Ali Shah<br>Mr. Nasim Beg<br>Mr. Haroun Rashid<br>Mr. Ahmed Jahangir<br>Mr. Muhammad Saqib Saleem   | Chairman<br>Member<br>Member<br>Member<br>Member   |
| <b>Chief Executive Officer</b>                         | Mr. Muhammad Saqib Saleem   |  |
| <b>Chief Operating Officer &amp; Company Secretary</b> | Mr. Muhammad Asif Mehdi Rizvi   |  |
| <b>Chief Financial Officer</b>                         | Mr. Abdul Basit   |  |
| <b>Trustee</b>   | <b>Central Depository Company of Pakistan Ltd.</b><br>CDC House, 99-B, Block 'B'S.M.C.H.S<br>Main Shahra-e-Faisal Karachi<br>Tel: (92-21) 111-111-500<br>Fax: (92-21) 34326053<br>Web: www.cdcPakistan.com  |  |
| <b>Bankers</b>   | Habib Metropolitan Bank Limited<br>United Bank Limited<br>Habib Bank Limited<br>Bank Al Falah Limited<br>Faisal Bank Limited<br>MCB Bank Limited<br>Bank Al Habib Limited<br>Zarai Taraqiati Bank Limited<br>National Bank of Pakistan<br>Allied Bank Limited |  |
| <b>Auditors</b>  | <b>Deloitte Yousuf Adil</b><br>Chartered Accountant<br>Cavish Court, A-35, Block-7 & 8,<br>KCHSU, Shahra-e-Faisal, Karachi-75350.   |  |
| <b>Legal Advisor</b>                                   | <b>Bawaney &amp; Partners</b><br>3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area<br>Phase VI, D.H.A., Karachi   |  |
| <b>Transfer Agent</b>                                  | <b>MCB-Arif Habib Savings &amp; Investments Limited</b><br>24th Floor, Center point,<br>off Shaheed-e-Millat Express Way<br>Near K.P.T. Interchange, Karachi.   |  |
| <b>Rating</b>  | <b>AM2++</b> Asset Manager Rating assigned by PACRA   |  |

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

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Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Cash Management Optimizer** accounts review for the year ended June 30, 2018.

## ECONOMY AND MONEY MARKET OVERVIEW

FY18 has been a rollercoaster ride of contradicting economic indicators with benign inflation and healthy LSM growth positively contributed to the economy, while mounting fiscal pressure, falling FX reserves, and political turmoil created a negative impact on the economy. Upward trending global commodity prices, especially rising crude oil prices, further added to the woes of the local economy.

GDP growth is expected to set at a record 10 years high of ~5.7% supported by a robust industrial and services sector growth. The marked end of power crises along with easing monetary cycle has led to an expansion in LSM growth which is expected to post a growth of ~7% for FY18. Inflation as measured by CPI has averaged ~4.0% owing to adequate supply of commodities and a stable currency during the most part of the year. However, for FY19, we expect CPI to jack up to average of ~7.5% owing to rising commodity prices along with weakness in currency. Furthermore, the weaker currency is also expected to shoot up the core inflation above 8.0%.

External sector has been the Achilles heel as a record high current account deficit along with financial flows by both bilateral and multilateral institutions have caused a scarcity of dollars. Current account deficit soared to USD 18 billion, nearly 5.8% of the GDP raising alarm bells for the economy. As a result of which, foreign exchange reserves of SBP have depleted by USD 6.5 bn during FY18 to USD 9.7 bn, providing a mere import coverage of ~2.0x. By large, Pakistan could be heading towards another IMF program during the second quarter of next fiscal year unless significant flows are generated via the amnesty scheme.

During FY18 State Bank of Pakistan increased Policy Rate by a cumulative 75bps mainly due to ballooning twin deficits, declining real interest rates and rapid increase in imports. In anticipation of an interest rate hike, bond yield curve showed an upward trajectory particularly during the second half of FY18. Pace of widening trade deficit remained alarmingly high which kept on diluting Forex reserves, keeping investors away from longer tenor securities. To extend maturity profile SBP introduced Floater rate 10 year bond with a base rate of 6-month MTB weighted average yield. Healthy participation of PKR 174 billion was witnessed in the very first auction of 10 year Floater bond out of which a total of PKR 20 billion was accepted at a rate of benchmark + 50 bps. Liquidity remained comfortable throughout FY18 owing to regular OMOs conducted by SBP. Scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara SUKUK despite ample liquidity in the market.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 5.41% as against its benchmark return of 5.35%, an out performance of 0.06%. WAM decreased to 1 day at June end. The WAM was gradually decreased during the period mainly to avail the benefit from attractive rates offered by banks on June end.

The fund was 99.5% in cash as of June end. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2018 increased by 18.82% to Rs. 11,993 million as compared to Rs. 10,093 million as at June 30, 2017.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 105.9707 as compared to opening NAV of Rs. 100.5342 per unit as at June 30, 2017 registering an increase of Rs. 5.4365 per unit.

## FUTURE OUTLOOK

For the next year, the economic growth is expected to slightly slow down as a weak currency and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps. Given initial plans of PTI (ruling party) some sense of policy steps can be expected but given the precarious economic conditions, we think immediate term measures to address twin deficits are critical. Fiscal side is also expected to weaken as reckless spending by the government will cause fiscal deficit to cross above 6.0% of GDP. Given pressures on the external front along with rising inflation, State Bank is expected to further tighten

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

the monetary policy, with 100 bps already increased, which shall result in higher debt servicing cost for the government during the next fiscal year. Along with entry to the IMF program, which will aim to curtail the fiscal deficit, developmental expenditures will be sharply cut during the next year.

### Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With seven (7) non-executive directors including three (3) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2018:

#### 1. Meeting of the Audit Committee.

During the year, nine (9) 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   | 9                       | 9                   | 6        | 3             |
| 2. Mr. Ahmed Jahangir  | 9                       | 9                   | 9        | -             |
| 3. Mr. Nasim Beg       | 9                       | 9                   | 7        | 2             |
| 4. Mr. Mirza Qamar Beg | 9                       | 9                   | 7        | 2             |

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

During the year, five (5) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

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

3. In the meeting held on September 14, 2018, the Risk Committee of the Board was formed consisting of the following members:

- (i) Mr. Mirza Qamar Beg - Chairman
- (ii) Mr. Nasim Beg
- (iii) Mr. Ahmed Jahangir

### External Auditors

The fund's external auditors, Deloitte Yousuf Adil Chartered Accountants, have retired during the year & A.F.Ferguson & Co. Chartered Accountants have been appointed as an external auditors of the fund for financial year ending June 30, 2019. A.F.Ferguson & Co. Chartered Accountants has also expressed their willingness to act as the fund auditors.

### 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  
September 14, 2018



**Nasim Beg**  
Director / Vice Chairman

## ڈائریکٹرز رپورٹ

### 2. ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی پانچ (05) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

| میٹنگز کی تعداد |   |   | نام | منعقدہ میٹنگز کی تعداد            | مطلوبہ حاضری | حاضری | منظور شدہ رخصت |
|-----------------|---|---|-----|-----------------------------------|--------------|-------|----------------|
|                 |   |   |     |                                   |              |       |                |
| -               | 5 | 5 | 5   | 1. ڈاکٹر سید سلمان شاہ            |              |       |                |
| -               | 5 | 5 | 5   | 2. جناب نسیم بیگ                  |              |       |                |
| -               | 5 | 5 | 5   | 3. جناب احمد جہانگیر              |              |       |                |
| 2               | 3 | 5 | 5   | 4. جناب ہارون رشید                |              |       |                |
| -               | 5 | 5 | 5   | 5. جناب محمد ثاقب سلیم (سی ای او) |              |       |                |

3. ستمبر 14، 2018 کے منعقدہ میٹنگ میں بورڈ کی رسک کمیٹی کا قیام کیا گیا ہے، جس کے اراکین مندرجہ ذیل ہیں:

- 1 جناب مرزا قمر بیگ - چیئر مین
- 2 جناب نسیم بیگ
- 3 جناب احمد جہانگیر

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”ڈیلاٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ نے 30 جون 2019ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2019ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلاٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

### اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء



## ڈائریکٹرز رپورٹ

- پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے لیے پُر عزم ہے جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:
- a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی دُرست بگس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، نان بینکنگ فنانس کمپنیز (اسٹابلشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔
- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پنشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریڈنگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء 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 نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

| میٹنگز کی تعداد      |                        |              |       |                |
|----------------------|------------------------|--------------|-------|----------------|
| نام                  | منعقدہ میٹنگز کی تعداد | مطلوبہ حاضری | حاضری | منظور شدہ رخصت |
| 1. جناب ہارون رشید   | 9                      | 9            | 6     | 3              |
| 2. جناب احمد جہانگیر | 9                      | 9            | 9     | -              |
| 3. جناب نسیم بیگ     | 9                      | 9            | 7     | 2              |
| 4. مرزا محمد قمر بیگ | 9                      | 9            | 7     | 2              |

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 5.41% منافع حاصل جو مقررہ معیار 5.35% کے مقابلے میں 0.06% زیادہ ہے۔ WAM جون کے اختتام پر کم ہو کر 1 دن ہو گیا۔ WAM میں یہ کمی دوران مدت بتدریج کی گئی اور اس کا بنیادی مقصد یہ تھا کہ جون کے اختتام پر بینکوں کی طرف سے پیش کردہ پُرکشش شرحوں سے فائدہ اٹھایا جائے۔

اختتام جون پر فنڈ کی سرمایہ کاری 99.5% نقد میں تھی۔ نقد میں یہ خطیر شمولیت اس لیے تھی کہ بینکوں کی طرف سے بینک ڈپازٹس پر منافع بخش شرحیں پیش کی جا رہی تھیں۔

30 جون 2018ء کو فنڈ کے net اثاثہ جات 11,993 ملین روپے تھے، جو 30 جون 2017ء کو 10,093 ملین روپے کے مقابلے میں 18.82% اضافہ ہے۔

30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 105.9707 روپے تھی، جو 30 جون 2017ء کو 100.5342 روپے ابتدائی NAV کے مقابلے میں 5.4365 روپے فی یونٹ اضافہ ہے۔

### مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کھپت کے رجحان پر کمزور روپیہ اور تنگ مالیاتی پالیسی کا راج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد ناپسندیدہ اقدامات سے پُر ہو سکتا ہے۔ پاکستان تحریک انصاف (حکمران جماعت) کے ابتدائی منصوبوں کی روشنی میں بہتر پالیسی اقدامات کی توقع کی جاسکتی ہے، لیکن خطرناک معاشی حالات کے پیش نظر ہم سمجھتے ہیں کہ فوری میعاد والے اقدامات بے حد ضروری ہیں تاکہ جڑواں خساروں پر توجہ دی جاسکے۔ مالیاتی جہت میں بھی ضعف متوقع ہے کیونکہ حکومت کے بے دریغ خرچ کے باعث مالیاتی خسارہ مجموعی ملکی پیداوار (GDP) کے 6.0% سے تجاوز کر جائے گا۔ خارجی رُخ پر متعدد دباؤ کے ساتھ ساتھ افراط زر میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔

### کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹرز پر مشتمل بورڈ مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے عہدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق کی بہترین طریقوں سے متعلق شقوق کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، بدستور تعمیل کر رہی ہے۔ فنڈ

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی کیش مینجمنٹ آپٹیمائزر کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

#### معیشت اور بازار زر کا جائزہ

مالی سال 2018ء متضاد معاشی علامات کے مد و جزر سے بھرپور رہا۔ مفید افراط زر اور LSM کی خاطر خواہ ترقی نے معیشت میں مثبت کردار ادا کیا جبکہ بڑھتے ہوئے مالیاتی دباؤ، غیر ملکی زرمبادلہ کے گھٹتے ہوئے ذخائر اور سیاسی ہلچل نے منفی اثرات مرتب کیے۔ عالمی اشیاء، خصوصاً خام تیل، کی بڑھتی ہوئی قیمتوں نے ملکی معیشت کے مسائل میں مزید اضافہ کیا۔

مجموعی ملکی پیداوار (GDP) میں 5.7% ترقی متوقع ہے جو گزشتہ دہائی کی سب سے اونچی سطح ہے، اور اس میں صنعتی اور خدمات کے شعبے کی بھرپور ترقی کی معاونت شامل ہے۔ بجلی کے بحران کے خاتمے اور مالیاتی چکر میں نرمی کے نتیجے میں LSM کی ترقی میں وسعت ہوئی ہے جو مالی سال 2018ء میں 7% متوقع ہے۔ CPI کی صورت میں پیمائش کردہ افراط زر کا اوسط 4.0% ہے جو سال کے اکثر حصے کے دوران اشیاء کی خاطر خواہ فراہمی اور مستحکم روپے کی بدولت ہے۔ تاہم مالی سال 2019ء کے لیے توقع ہے کہ اشیاء کی بڑھتی ہوئی قیمتوں اور روپے میں ضعف کے باعث CPI بڑھ کر 7.5% اوسط تک پہنچ جائے گا۔ مزید براں، کمزور روپیہ متوقع طور پر افراط زر کو 8.0% سے اونچی سطح پر لے جائے گا۔

خارجی شعبہ نازک مقام رہا کیونکہ کرنٹ اکاؤنٹ کے اب تک کے سب سے زیادہ خسارے کے ساتھ ساتھ دو جہتی اور کثیر الجہتی، دونوں قسم کے اداروں کی جانب سے مالیاتی آمدورفت کے باعث ڈالر میں قلت ہو گئی ہے۔ کرنٹ اکاؤنٹ کا خسارہ 18 بلین ڈالر تک پہنچ گیا، یعنی GDP کا تقریباً 5.8%، جو معیشت کے لیے خطرے کی گھنٹی ہے۔ اس کے نتیجے میں مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 6.5 بلین ڈالر کم ہو کر 9.7 بلین ڈالر رہ گئے، جس سے صرف 2.0x درآمدی تلافی فراہم ہوئی۔ مجموعی طور پر اگلے مالی سال کی دوسری سہ ماہی کے دوران پاکستان ایک اور IMF پروگرام کے رُخ پر گامزن ہو سکتا ہے، سوائے اس کے کہ ایمنسٹی اسکیم کے ذریعے خاطر خواہ آمدورفت پیدا کی جائے۔

مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں مجموعی طور پر 75 bps اضافہ کیا جس کی بنیادی وجہ بڑھتے ہوئے جڑواں خسارے، ریئل انٹریسٹ کی گھٹتی ہوئی شرحیں، اور تیزی سے بڑھتی ہوئی درآمدات ہیں۔ انٹریسٹ کی شرحوں میں تیز رفتار اضافے کے امکانات کے باعث بانڈ کی آمدنی کا خم اوپر کی طرف گیا، خصوصاً مالی سال 2018ء کی دوسری سہ ماہی کے دوران۔ تجارتی خسارے میں اضافے کی رفتار خوفناک حد تک تیز رہی جس کے باعث غیر ملکی زرمبادلہ کے ذخائر متاثر ہوئے اور سرمایہ کاروں نے طویل المیعاد سکیورٹیز میں دلچسپی کا اظہار نہیں کیا۔ میچورٹی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹریٹ بانڈ کی سب سے پہلی نیلامی میں 174 بلین روپے کی بھرپور شرکت دیکھی گئی جس میں سے 20 بلین روپے پنچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی۔ زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سلگ کا اجراء نہیں کیا گیا۔

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

### Fund Type and Category

MCB Cash Management Optimizer (CMOP) is an open end fund money market fund, and has the leverage to invest in short term government securities, repurchase agreements, term deposit and money market placements with scheduled banks with a maximum maturity of 180 days and weighted average maturity up to 90 days.

### Fund Benchmark

70% three (3) months PKRV rates plus 30% three (3) months average deposit rates of three (3) AA rated scheduled Banks as selected by MUFAP.

### Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

### Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in highly liquid debt securities issued by the Government of Pakistan as well as TDR to AA or above rated banks.

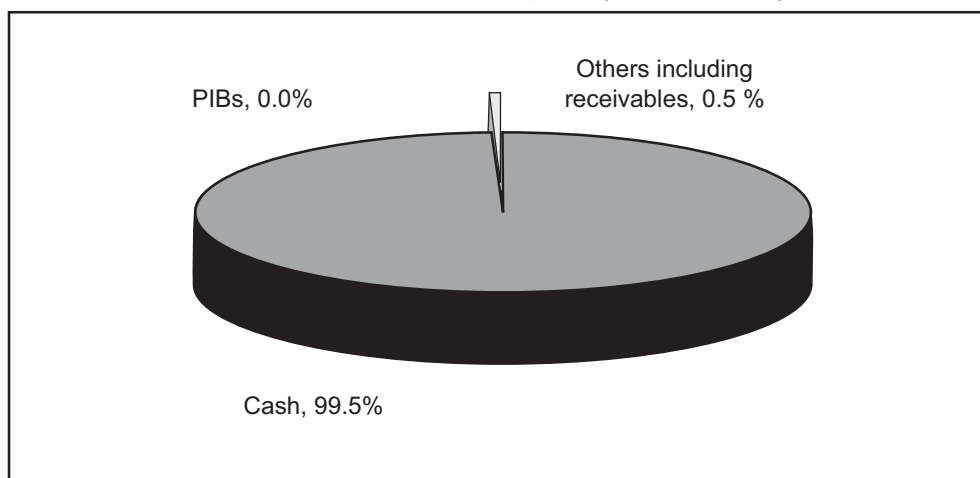
### Manager's Review

The fund generated an annualized return of 5.41% during the year against benchmark of 5.35%. The fund increased its exposure in cash to 99.5% and decreased it in TDRs to 0%. WAM of the fund was 1 day.

The Net Asset of the Fund as at June 30, 2018 stood at Rs.11,993 million as compared to Rs 10,093 million as at June 30, 2017 registering an increase of 15.8%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 105.9707 as compared to opening NAV of Rs. 100.5342 per unit as at June 30, 2017 registering an increase of Rs. 5.4365 per unit.

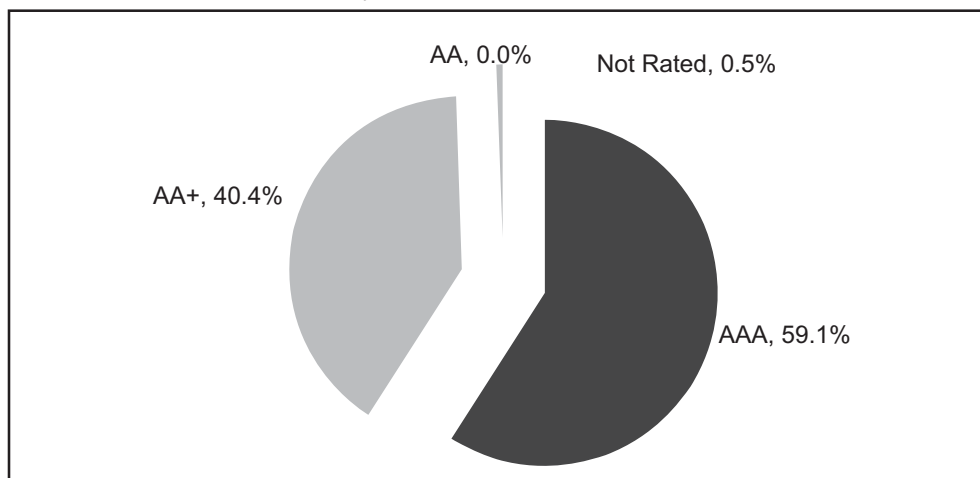
Asset Allocation as on June 30, 2018 (% of total assets)



## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

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Asset Quality as of June 30, 2018 (% of total assets)



**Mr. Saad Ahmed**  
Fund Manager

Karachi: September 14th, 2018

## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

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



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB CASH MANAGEMENT OPTIMIZER

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Cash Management Optimizer (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, 2018 in accordance with the provisions of the following:

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

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

Karachi: September 19, 2018





# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

**Deloitte.**

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

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

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF MCB CASH MANAGEMENT OPTIMIZER

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of MCB Cash Management Optimizer (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018 and the income statement, statement of comprehensive income, statement of movements in unit holder's fund, statement of cash flows and notes to the financial statements including a summary of significant accounting policies for the year from July 01, 2017 to June 30, 2018 (the year).

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018 and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing as applicable in Pakistan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the International Ethics Standard Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as adopted by the Institute of Chartered Accountants of Pakistan (the ICAP) together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| S.No. | Key audit matter  | How our audit addressed the key audit matter   |
|-------|---|--|
| a)    | <b><i>Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008</i></b>   |  |
|       | As disclosed in note 4.1, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and | In order to address the matter we have: <ul style="list-style-type: none"><li>Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and</li></ul> |

*BAA*

Member of  
Deloitte Touche Tohmatsu Limited

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil  
Chartered Accountants

| S.No. | Key audit matter   | How our audit addressed the key audit matter  |
|-------|--|---|
|       | <p>required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p> | <p>how the systems were updated to cater for the amendments;</p> <ul style="list-style-type: none"><li>• Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and</li><li>• Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.</li></ul> |

### Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed on the other information, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management Company either intends to liquidate the Fund or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company is responsible for overseeing the Fund's financial reporting process.

*RA*

Member of  
Deloitte Touche Tohmatsu Limited



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil  
Chartered Accountants

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance of the Management Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Member of  
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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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**Deloitte.**

**Deloitte Yousuf Adil**  
Chartered Accountants

### **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.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

*Deloitte Yousuf Adil*  
Chartered Accountants

**Date:** September 14, 2018

**Place:** Karachi

Member of  
Deloitte Touche Tohmatsu Limited

# STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

|   | Note | 2018<br>----- (Rupees in '000) ----- | 2017<br>-----      |
|---|------|--------------------------------------|--------------------|
| <b>ASSETS</b>   |      |                                      |                    |
| Balances with banks   | 5    | 12,057,809                           | 9,307,714          |
| Investments   | 6    | -                                    | 848,644            |
| Advances, deposits, prepayments and profit receivable               | 7    | 55,391                               | 53,035             |
| <b>Total assets</b>   |      | <b>12,113,200</b>                    | <b>10,209,393</b>  |
| <b>LIABILITIES</b>  |      |                                      |                    |
| Payable to Management Company                                       |      | 10,254                               | 5,612              |
| Payable to Central Depository Company of Pakistan Limited - Trustee |      | 1,011                                | 628                |
| Payable to Securities and Exchange Commission of Pakistan           |      | 9,576                                | 5,287              |
| Accrued expenses and other liabilities                              | 8    | 99,703                               | 104,861            |
| <b>Total liabilities</b>  |      | <b>120,544</b>                       | <b>116,388</b>     |
| <b>NET ASSETS</b>   |      | <b>11,992,656</b>                    | <b>10,093,005</b>  |
| <b>Unit holders' fund (as per statement attached)</b>               |      | <b>11,992,656</b>                    | <b>10,093,005</b>  |
| <b>Contingencies and Commitments</b>                                | 9    |                                      |                    |
| <b>(Number of units)</b>  |      |                                      |                    |
| <b>NUMBER OF UNITS IN ISSUE</b>                                     |      | <b>113,169,596</b>                   | <b>100,393,708</b> |
| <b>(Rupees)</b>   |      |                                      |                    |
| <b>NET ASSET VALUE PER UNIT</b>                                     | 4.13 | <b>105.9707</b>                      | <b>100.5342</b>    |

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

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



Chief Executive Officer



Chief Financial Officer



Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

|   | 2018                         | 2017           |
|---|------------------------------|----------------|
| Note  | ----- (Rupees in '000) ----- |                |
| <b>INCOME</b>   |                              |                |
| Capital gain / (loss) on sale of investments - net  | 5,770                        | (9,250)        |
| Income from government securities   | 163,537                      | 53,844         |
| Income from commercial paper  | 1,356                        | 521            |
| Profit on money market placement  | 57,616                       | 50,653         |
| Profit on bank deposits   | 588,402                      | 341,591        |
|   | <u>816,681</u>               | <u>437,359</u> |
| Net unrealised diminution on re-measurement of investment classified as 'at fair value through profit or loss'          | -                            | -              |
| <b>Total income</b>   | <u>816,681</u>               | <u>437,359</u> |
| <b>EXPENSES</b>   |                              |                |
| Remuneration of Management Company  | 10 81,565                    | 44,433         |
| Sindh Sales tax and Federal Excise Duty on Management fee   | 10,603                       | 5,776          |
| Remuneration of Central Depository Company of Pakistan Limited - Trustee  | 11 9,911                     | 6,028          |
| Sindh Sales tax on remuneration of Central Depository Company of Pakistan - Trustee                                     | 12 1,288                     | 784            |
| Securities and Exchange Commission of Pakistan - Annual Fee   | 13 9,576                     | 5,287          |
| Allocated expenses and related taxes  | 14 14,428                    | 7,965          |
| Legal and professional  | 180                          | 123            |
| Settlement and brokerage expenses   | 253                          | 626            |
| Auditor's remuneration  | 15 972                       | 1,057          |
| Other expenses  | 685                          | 742            |
| <b>Total operating expenses</b>   | <u>129,461</u>               | <u>72,821</u>  |
| <b>Net operating income for the year</b>  | <u>687,220</u>               | <u>364,538</u> |
| Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed | -                            | (321,804)      |
| (Provision for) / reversal of SWWF / WWF  | 8.1 (13,744)                 | 97,948         |
| <b>Net income for the year before taxation</b>  | <u>673,476</u>               | <u>140,682</u> |
| Taxation  | 16 -                         | -              |
| <b>Net income for the year after taxation</b>   | <u>673,476</u>               | <u>140,682</u> |
| <b>Allocation of net income for the year:</b>   |                              |                |
| Net income for the year   | 673,476                      |                |
| Income already paid on units redeemed   | (342,666)                    |                |
|   | <u>330,810</u>               |                |
| <b>Accounting income available for distribution</b>   |                              |                |
| - Relating to capital gains   | 2,463                        |                |
| - Excluding capital gains   | 328,347                      |                |
|   | <u>330,810</u>               |                |
| <b>Earnings per unit</b>  | 4.12 -                       |                |

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

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

# STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

|   | 2018                         | 2017           |
|---|------------------------------|----------------|
|   | ----- (Rupees in '000) ----- | -----          |
| <b>Net income for the year after taxation</b>   | <b>673,476</b>               | <b>140,682</b> |
| <b><i>Other comprehensive income for the year</i></b>                                     |                              |                |
| <i>Items may be reclassified subsequently<br/>to income statement</i>                     |                              |                |
| Unrealised appreciation in value of investments<br>classified as available for sale - net | -                            | 8,317          |
| <b>Total comprehensive income for the year</b>  | <b>673,476</b>               | <b>148,999</b> |

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

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



Chief Executive Officer



Chief Financial Officer



Director

# STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

|   | 2018              |                      |   | 2017              |
|---|-------------------|----------------------|---|-------------------|
|   | (Rupees in '000)  |                      |   |                   |
|   | Capital Value     | Undistributed income | Unrealised appreciation / (diminution) 'available for sale' investments | Total             |
| Net assets at beginning of the year   | 10,048,391        | 44,614               | -   | 10,093,005        |
| Issue of 220,885,830 units (2017: 294,377,690 units)  |                   |                      |   |                   |
| - Capital value (at net asset value per unit of Rs. 100.5342 at the beginning of the year)                                      | 22,206,580        | -                    | -   | 22,206,580        |
| - Element of income   | 649,380           | -                    | -   | 649,380           |
| Total proceeds from issuance of units   | 22,855,960        | -                    | -   | 22,855,960        |
| Redemption of 208,109,942 units (2017: 233,434,019 units)   |                   |                      |   |                   |
| - Capital value (at net asset value per unit of Rs. 100.5324 at the beginning of the year)                                      | (20,922,167)      | -                    | -   | (20,922,167)      |
| - Amount paid out of element of income  |                   |                      |   |                   |
| - Relating to 'net income for the year after taxation'  | (364,952)         | (342,666)            | -   | (707,618)         |
| - Relating to 'other comprehensive income for the year'   | -                 | -                    | -   | -                 |
| - Refund / (adjustment) on units as element of income   | -                 | -                    | -   | -                 |
| Total payments on redemption of units   | (21,287,119)      | (342,666)            | -   | (21,629,785)      |
| Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net       | -                 | -                    | -   | 321,804           |
| Total comprehensive income for the year   | -                 | 673,476              | -   | 673,476           |
| Distribution during the year  | -                 | -                    | -   | -                 |
| Net income / (loss) for the year less distribution  | -                 | 673,476              | -   | 673,476           |
| <b>Net assets at end of the year</b>  | <b>11,617,232</b> | <b>375,424</b>       | <b>-</b>  | <b>11,992,656</b> |
| Undistributed income brought forward  |                   |                      |   |                   |
| - Realised  |                   | 44,614               |   | 12,706            |
| - Unrealised  |                   | -                    |   | 81                |
|   |                   | 44,614               |   | 12,787            |
| Accounting income available for distribution  |                   |                      |   |                   |
| - Relating to capital gains   |                   | 2,463                |   |                   |
| - Excluding capital gains   |                   | 328,347              |   |                   |
|   |                   | 330,810              |   |                   |
| Net income for the year after taxation  |                   | 673,476              |   | 140,682           |
| Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed |                   | -                    |   | 48,345            |
| Distribution during the year  |                   | 342,666              |   | (157,200)         |
| Undistributed income carried forward  |                   | 375,424              |   | 44,614            |
| Undistributed income carried forward  |                   |                      |   |                   |
| - Realised  |                   | 375,424              |   | 44,614            |
| - Unrealised  |                   | -                    |   | -                 |
|   |                   | 375,424              |   | 44,614            |
|   |                   |                      | (Rupees)  | (Rupees)          |
| Net assets value per unit at beginning of the year  |                   |                      | 100.5342  | 100.3367          |
| Net assets value per unit at end of the year  |                   |                      | 105.9707  | 100.5342          |

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

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

|  | Note         | 2018<br>(Rupees in '000) | 2017             |
|--|--------------|--------------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |              |                          |                  |
| Net income for the year before taxation  |              | 673,476                  | 140,682          |
| <b>Adjustments for non cash and other items:</b>   |              |                          |                  |
| Capital (gain) / loss on sale of investments - net   |              | (5,770)                  | 9,250            |
| Net unrealised diminution on re-measurement of investment classified as 'at fair value through profit or loss' |              | -                        | -                |
| Net element of loss and capital losses included in prices of units issued less those in units redeemed         |              |                          |                  |
| - arising from capital (loss) / gain and unrealised (loss) / gain  |              | -                        | (4,929)          |
| - arising from other than capital gain / (loss) and unrealised gain / (loss)                                   |              | -                        | 326,733          |
| Reversal of provision for Workers' Welfare Fund  |              | -                        | (97,948)         |
|  |              | (5,770)                  | 233,106          |
| <b>Decrease / (increase) in assets</b>   |              |                          |                  |
| Investments  |              | 854,414                  | 252,853          |
| Prepayments and profit receivable  |              | (2,356)                  | (20,231)         |
|  |              | 852,058                  | 232,622          |
| <b>Increase / (decrease) in liabilities</b>  |              |                          |                  |
| Payable to Management Company  |              | 4,642                    | 1,963            |
| Payable to Central Depository Company of Pakistan Limited - Trustee  |              | 383                      | 222              |
| Payable to Securities and Exchange Commission of Pakistan  |              | 4,289                    | (104)            |
| Accrued expenses and other liabilities   |              | (5,158)                  | 9,973            |
|  |              | 4,156                    | 12,054           |
| <b>Net cash flow generated from operating activities</b>   | <b>A</b>     | <b>1,523,920</b>         | <b>618,464</b>   |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>  |              |                          |                  |
| Receipt from issuance of units   |              | 22,855,960               | 29,981,578       |
| Payment against redemption of units  |              | (21,629,785)             | (24,160,464)     |
| Cash distribution  |              | -                        | (157,200)        |
| <b>Net cash generated from financing activities</b>  | <b>B</b>     | <b>1,226,175</b>         | <b>5,663,914</b> |
| <b>Net increase in cash and cash equivalents</b>   | <b>(A+B)</b> | <b>2,750,095</b>         | <b>6,282,378</b> |
| Cash and cash equivalents at beginning of the year   |              | 9,307,714                | 3,025,336        |
| <b>Cash and cash equivalents at end of the year</b>  |              | <b>12,057,809</b>        | <b>9,307,714</b> |

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

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



Chief Executive Officer



Chief Financial Officer



Director



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Cash Management Optimizer (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 10, 2009 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2009 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3 The Fund is an open-end mutual fund and has been categorised as 'Money Market Scheme' by the Board of Directors of the Management Company and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX).
- 1.4 The Fund primarily invests in a mix of short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated December 28, 2017 to the Management Company and "AA+(f)" as stability rating dated June 30, 2018 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of :
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed companies ordinance, 1984; and
  - Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (The NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (The NBFC Regulations) and requirement of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed have been followed.

### 2.2 IFRS 9 Financial Instruments

In July 2014 IASB issued a revised version of IFRS 9 'Financial Instruments' which supersedes all its previous versions and is mandatorily effective for periods beginning on or after January 1, 2018. The SECP has adopted IFRS 9 effectively from July 1, 2018 and will be applicable for the Fund as well.

Key requirements of IFRS 9:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Based on an analysis of the Fund's financial assets and financial liabilities as at June 30, 2018 on the basis of the facts and circumstances that exist at that date, the Management of the Asset Management Company has assessed the impact of IFRS 9 to the Fund's financial statements as follows:

### Classification and measurement

As at June 30, 2018, the Fund has no investment in listed equity securities and unlisted debt securities classified as 'at fair value through profit or loss' and listed equity securities classified as 'available-for-sale'. If the fund has investment in any of the classification (FVTPL or FVTOCI), that would be measured as follows:

- Unlisted debt securities classified as 'at fair value through profit or loss' investments carried at fair value held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the unlisted debt securities will continue to be subsequently measured at FVTPL upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39.

### Impairment

The SECP / Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9, unless otherwise notified.

Apart from the above, the Management does not anticipate that the application of the IFRS 9 accounting requirements will have a material impact on the Fund's financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 2.3 Amendments to IFRS that are effective for the year ended June 30, 2018

The following amendments are effective for the year ended June 30, 2018. These amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

| Amendments  | Effective date (accounting period beginning on or after) |
|---|--|
| Amendments to IAS 7 'Statement of Cash Flows' - Amendments as a result of the disclosure initiative | January 01, 2017   |
| Amendments to IAS 12 'Income Taxes' - Recognition of deferred tax assets for unrealised losses      | January 01, 2017   |

Certain annual improvements have also been made to a number of IFRSs.

#### Amendments to IFRS that are not yet effective

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

|   |   |
|---|---|
| Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions  | January 01, 2018  |
| IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.  | July 01, 2018   |
| Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities   | January 01, 2019  |
| IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.  | July 01, 2018   |
| Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture | Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted. |
| Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures   | January 01, 2019  |
| Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property   | January 01, 2018. Earlier application is permitted.   |
| IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.   | January 01, 2019  |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.

An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.

Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.

January 01, 2019

IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.

January 01, 2018.

### Amendments

### Effective date (accounting period beginning on or after)

IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.

January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

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

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

### 3. BASIS OF PREPARATION

#### 3.1 Accounting convention

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

#### 3.2 Critical accounting estimates and judgments

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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### 3.3 Functional and presentation currency

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

## 4. SUMMARY OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except as explained in note 4.1 below:

### 4.1 Change in accounting policies

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the revised regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised regulations.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 as required by SECP vide its email dated February 8, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through aforementioned SRO issued by the SECP.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holders' Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was 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 was recognised in the Income Statement.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs. 57.066 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been lower by Rs. 0.5043. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these financial statements.

### 4.2 Financial assets

The Fund classifies its financial assets in the following categories:

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

An instrument is classified as at fair value through profit or loss if it is held-for-trading or is designated as such upon

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

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

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

### **Recognition**

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

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

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

### **Measurement**

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

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

### **Fair value measurement principles**

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

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

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

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

### **4.4 Impairment**

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

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

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

### **4.5 Derecognition**

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

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

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

### **4.7 Financial liabilities**

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

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

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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### 4.9 Provisions

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

### 4.10 Other assets

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

### 4.11 Taxation

#### Current

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

#### Deferred

"The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund, like in current year, intends to continue availing the tax exemption in future years as well by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealised, to its unit holders every year."

### 4.12 Earnings per unit

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

### 4.13 Net asset value per unit

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

### 4.14 Unit holders' fund

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

### 4.15 Issue and redemption of units

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

It represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period.

The element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net assets value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

On redemption of units, element of income is paid on units redeemed from element of income contributed by unit holders on issue of units (i.e. return of capital) or the element of income is paid from the income earned by the Fund or the element of income is partly paid out of element of income contributed by unit holders (i.e. return of capital) and partly from the income earned by the Fund.

### 4.17 Revenue recognition

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

### 4.18 Expenses

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

### 4.19 Dividend distribution and appropriation

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

### 4.20 Cash and cash equivalents

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

|                               | Note | 2018<br>(Rupees in '000) | 2017             |
|-------------------------------|------|--------------------------|------------------|
| <b>5. BALANCES WITH BANKS</b> |      |                          |                  |
| Savings accounts              | 5.1  | 12,048,477               | 9,286,266        |
| Current account               |      | 9,332                    | 21,448           |
|                               |      | <b>12,057,809</b>        | <b>9,307,714</b> |



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

5.1 These carry mark-up at rates ranging between 3.75% to 6.90% per annum (2017: 3.75% to 6.75% per annum).

|   | Note  | 2018<br>(Rupees in '000) | 2017           |
|---|-------|--------------------------|----------------|
| <b>6. INVESTMENTS</b>   |       |                          |                |
| <b>6.1 Loans and receivables</b>  |       |                          |                |
| Term deposit receipt  | 6.1.1 | -                        | 800,000        |
| Commercial Papers   | 6.1.2 | -                        | 48,644         |
|   |       | <u>-</u>                 | <u>848,644</u> |
| <b>6.2 Investments at fair value through profit or loss' - held for trading</b> |       |                          |                |
| Market Treasury Bills   | 6.2.1 | -                        | -              |
| Letter of Placements  | 6.2.2 | -                        | -              |
| Government securities   | 6.2.3 | -                        | -              |
|   |       | <u>-</u>                 | <u>-</u>       |
|   |       | <u>-</u>                 | <u>848,644</u> |
| <b>6.1.1</b> These carry markup rate of Nil (2017: 6.5%) per annum              |       |                          |                |
| <b>6.1.2</b> These carry markup rate of Nil (2017: 7.91%) per annum             |       |                          |                |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 6.2.1 Government securities - at fair value through profit or loss

| Tenure                       | Issue Date        | Face value       |                           |                                 | At June 30, 2018 |                |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|------------------------------|-------------------|------------------|---------------------------|---------------------------------|------------------|----------------|--------------|--|---|
|                              |                   | At July 01, 2017 | Purchases during the year | Sales / matured during the year | At June 30, 2018 | Carrying value | Market value |  |   |
| ----- (Rupees in '000) ----- |                   |                  |                           |                                 |                  |                |              |  |   |
| Treasury bills - 3 months    |                   |                  |                           |                                 |                  |                |              |  |   |
| Treasury Bills               | July 20, 2017     | -                | 920,000                   | 920,000                         | -                | -              | -            | -  | -   |
| Treasury Bills               | April 12, 2018    | -                | 10,760,000                | 10,760,000                      | -                | -              | -            | -  | -   |
| Treasury Bills               | April 26, 2018    | -                | 5,000,000                 | 5,000,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | January 1, 2018   | -                | 11,450,000                | 11,450,000                      | -                | -              | -            | -  | -   |
| Treasury Bills               | January 15, 2018  | -                | 7,850,000                 | 7,850,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | October 26, 2017  | -                | 2,395,000                 | 2,395,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | January 18, 2018  | -                | 17,000,000                | 17,000,000                      | -                | -              | -            | -  | -   |
| Treasury Bills               | January 4, 2018   | -                | 3,000,000                 | 3,000,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | November 23, 2017 | -                | 2,930,000                 | 2,930,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | December 29, 2017 | -                | 2,500,000                 | 2,500,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | October 12, 2017  | -                | 2,173,000                 | 2,173,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | November 9, 2017  | -                | 3,315,000                 | 3,315,000                       | -                | -              | -            | -  | -   |
| Treasury Bills               | December 7, 2017  | -                | 100,000                   | 100,000                         | -                | -              | -            | -  | -   |
| Treasury Bills               | August 17, 2017   | -                | 1,050,000                 | 1,050,000                       | -                | -              | -            | -  | -   |
| Treasury bills - 6 months    |                   |                  |                           |                                 |                  |                |              |  |   |
| Treasury Bills               | March 16, 2017    | -                | 500,000                   | 500,000                         | -                | -              | -            | -  | -   |
| Treasury Bills               | August 3, 2017    | -                | 250,000                   | 250,000                         | -                | -              | -            | -  | -   |
| Treasury Bills               | July 20, 2017     | -                | 450,000                   | 450,000                         | -                | -              | -            | -  | -   |
| Treasury Bills               | August 31, 2017   | -                | 415,000                   | 415,000                         | -                | -              | -            | -  | -   |
| Treasury Bills               | August 17, 2017   | -                | 250,000                   | 250,000                         | -                | -              | -            | -  | -   |
| Total as at June 30, 2018    |                   |                  |                           |                                 |                  |                |              |  |   |
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## 6.2.3 Government securities - at fair value through profit or loss

| Tenure                              | Issue Date    | Face value       |                           |                                 | At June 30, 2018 |                |              | Market value as a percentage of net assets | Market value as a percentage of total investments |
|-------------------------------------|---------------|------------------|---------------------------|---------------------------------|------------------|----------------|--------------|--|---|
|                                     |               | At July 01, 2017 | Purchases during the year | Sales / matured during the year | At June 30, 2018 | Carrying value | Market value |  |   |
| (Rupees in '000)                    |               |                  |                           |                                 |                  |                |              |  |   |
| Pakistan Investment Bonds - 5 years |               |                  |                           |                                 |                  |                |              |  |   |
|                                     | July 18, 2013 | -                | 4,000,000                 | 4,000,000                       | -                | -              | -            | -  | -   |
| Total as at June 30, 2018           |               |                  |                           |                                 |                  |                |              |  |   |
| Total as at June 30, 2017           |               |                  |                           |                                 |                  |                |              |  |   |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|   | Note | 2018<br>(Rupees in '000) | 2017           |
|---|------|--------------------------|----------------|
| <b>7. ADVANCES, DEPOSITS, PREPAYMENTS AND PROFIT RECEIVABLE</b> |      |                          |                |
| Advances, prepayments and security deposits                     |      | 124                      | 261            |
| Profit receivable on savings accounts                           |      | 55,267                   | 48,358         |
| Profit receivable on term deposit receipts                      |      | -                        | 4,416          |
|   |      | <u>55,391</u>            | <u>53,035</u>  |
| <b>8. ACCRUED EXPENSES AND OTHER LIABILITIES</b>                |      |                          |                |
| Provision for Sindh Workers' Welfare Fund                       | 8.1  | 18,708                   | 4,963          |
| Provision for federal excise duty and related taxes on          | 8.2  |                          |                |
| - Management fee  |      | 54,267                   | 54,267         |
| - Sales load  |      | 19                       | 19             |
| Brokerage   |      | 47                       | 54             |
| Capital gain tax  |      | 22,253                   | 42,829         |
| Auditors' remuneration  |      | 594                      | 678            |
| Printing and related expenditure                                |      | 40                       | 80             |
| Other   |      | 3,775                    | 1,971          |
|   |      | <u>99,703</u>            | <u>104,861</u> |

### 8.1 Provision for Sindh Workers' Welfare Fund

The Supreme Court passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance, 1971. After deliberating the position, MUFAP decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 102.91 million. This resulted in an increase in NAV per unit of Rs. 1.56 on January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles and hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 5.17 million. This resulted in a decrease in NAV per unit of Rs. 0.078 on January 12, 2017. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2018 is Rs. 18.7 million. Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.1653 per unit.

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 8.2 Federal Excise Duty and related tax payable

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

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

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

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

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2015. However, the Management Company of the Fund has not made any further provision for FED after the year ended June 30, 2015. The aggregate balance of FED provision in the book of accounts of the Fund as on June 30, 2018 is Rs. 54.27 million. Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.4795 per unit.

### 9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2018 and June 30, 2017 other than those disclosed in note 8.1 and note 8.2.

|   | Note | 2018<br>(Rupees in '000) | 2017          |
|---|------|--------------------------|---------------|
| <b>10. REMUNERATION OF MANAGEMENT COMPANY</b>   |      |                          |               |
| Management fee  | 10.1 | <u>81,565</u>            | <u>44,433</u> |
| 10.1 The Management Company has charged remuneration at a rate of 10% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 1% average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears. |      |                          |               |

|  | Note | 2018<br>(Rupees in '000) | 2017         |
|--|------|--------------------------|--------------|
| <b>11. REMUNERATION OF CENTRAL DEPOSITORY COMPANY<br/>OF PAKISTAN LIMITED - TRUSTEE</b>  |      |                          |              |
| Trustee fee  | 11.1 | <u>9,911</u>             | <u>6,028</u> |
| 11.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The following tariff structure as amended by the Trustee of the Fund vide Trust deed dated May 18, 2015, is applicable based on net assets of the Fund. |      |                          |              |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Upto Rs. 1 billion

Rs. 1 billion to Rs. 10 billion

Over Rs. 10 billion

### Tariff per annum

0.15% p.a. of Net Assets

Rs. 1.5 million plus 0.075% p.a. of Net Assets exceeding Rs. 1 billion

Rs. 8.25 million plus 0.06% p.a. of Net Assets exceeding Rs. 10 billion

Remuneration is paid to the trustee on monthly basis in arrears.

## 12. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 13% is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Finance Bill 2010 (amended upto 2015). Accordingly, the Fund has made an accrual at the rate of 13% (2017: 13%) on account of Sindh Sales Tax on custodianship services.

|  | Note | 2018<br>(Rupees in '000) | 2017         |
|--|------|--------------------------|--------------|
| <b>13. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE</b> |      |                          |              |
| Annual fee   | 13.1 | <u>9,576</u>             | <u>5,287</u> |

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

## 14. ALLOCATED EXPENSES

The SECP via its SRO 1160 dated November 25, 2015 has amended Clause 60 of the NBFC Regulations. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund is charging such expense at a rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

|                                   | 2018<br>(Rupees in '000) | 2017         |
|-----------------------------------|--------------------------|--------------|
| <b>15. AUDITORS' REMUNERATION</b> |                          |              |
| Annual audit fee                  | 500                      | 500          |
| Half yearly review fee            | 280                      | 280          |
| Other certifications              | 50                       | 100          |
| Out of pocket expenses            | <u>142</u>               | <u>177</u>   |
|                                   | <u>972</u>               | <u>1,057</u> |

## 16. TAXATION

- 16.1** 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 to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 5, 2018, Management Company has distributed cash dividend of at least 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|                                      | 2018              | 2017             |
|--------------------------------------|-------------------|------------------|
|                                      | (Rupees in '000)  |                  |
| <b>17. CASH AND CASH EQUIVALENTS</b> |                   |                  |
| In savings accounts                  | 12,048,477        | 9,286,266        |
| In current account                   | 9,332             | 21,448           |
|                                      | <u>12,057,809</u> | <u>9,307,714</u> |

### 18. EXPENSE RATIO

The total expense ratio of the Fund from July 1, 2017 to June 30, 2018 is 1.12%, which includes 0.29% representing government levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an money market scheme.

### 19. TRANSACTIONS WITH CONNECTED PERSONS

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being holding company of the Management Company, the Trustee, directors, 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 and at contracted rates.

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

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

|  | 2018                         | 2017    |
|--|------------------------------|---------|
|  | ----- (Rupees in '000) ----- |         |
| <b>MCB - Arif Habib Savings and Investments Limited - Management Company</b> |                              |         |
| Remuneration including indirect taxes  | 92,168                       | 50,209  |
| Allocated expenses including indirect taxes                                  | 14,428                       | 7,965   |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>              |                              |         |
| Remuneration and settlement charges for the year                             | 11,199                       | 6,812   |
| CDS charges  | 7                            | 80      |
| <b>MCB Bank Limited</b>  |                              |         |
| Profit on Bank deposits  | 383                          | 435     |
| Bank charges   | 48                           | 28      |
| Purchase of securities - Face value: Rs. 4,000,000,000 (2017: Rs. Nil)       | 4,189,757                    | -       |
| Sale of securities - Face value: Rs. 5,065,000,000 (2017: Rs. 400,000,000)   | 5,016,148                    | 388,892 |
| <b>Silk Bank Limited</b>   |                              |         |
| Purchase of securities - Face value: Rs. Nil (2017: Rs. 684,000,000)         | -                            | 672,440 |
| Sale of securities - Face value: Rs. 9,673,000,000 (2017: Rs. 820,000,000)   | 9,554,402                    | 808,242 |
| <b>Arif Habib Limited</b>  |                              |         |
| Brokerage*   | 13                           | 2       |
| <b>Next Capital Limited</b>  |                              |         |
| Brokerage*   | 35                           | 5       |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

\*The amount disclosed represents the amount of brokerage paid or payable, as the case may be, 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.

|  | 2018                         | 2017    |
|--|------------------------------|---------|
|  | ----- (Rupees in '000) ----- |         |
| <b>19.2 Amounts outstanding at year end</b>                                  |                              |         |
| <b>MCB - Arif Habib Savings and Investments Limited - Management Company</b> |                              |         |
| Remuneration payable   | 8,027                        | 4,379   |
| Sales tax payable on remuneration to the Management Company                  | 1,044                        | 569     |
| Allocated expenses payable excluding related taxes                           | 1,183                        | 664     |
| <b>Central Depository Company of Pakistan Limited - Trustee</b>              |                              |         |
| Remuneration   | 895                          | 556     |
| Sindh Sales tax payable on remuneration of Trustee                           | 116                          | 72      |
| <b>MCB Bank Limited</b>  |                              |         |
| Bank balance   | 10,050                       | 121,534 |
| Profit receivable on bank deposits   | 328                          | 323     |
| <b>Arif Habib Limited</b>  |                              |         |
| Brokerage payable  | 7                            | -       |
| <b>Next Capital Limited</b>  |                              |         |
| Brokerage payable  | 4                            | 8       |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 19.3 Transactions during the year with connected persons / related parties in units of the Fund:

|  | June 30, 2018          |                    |                     |            |                        |                        |
|--|------------------------|--------------------|---------------------|------------|------------------------|------------------------|
|  | As at<br>July 01, 2017 | Issued<br>for cash | Bonus /<br>Dividend | Redeemed   | As at June 30,<br>2018 | As at June<br>30, 2018 |
|  | Units                  |                    |                     |            |                        |                        |
| <b>Associated Companies</b>  |                        |                    |                     |            |                        |                        |
| MCB - Arif Habib Savings and Investments Limited -<br>Management Company | 3,821,037              | 5,127,728          | -                   | 4,943,413  | 4,005,353              | 424,450                |
| Adamjee Insurance Co. Ltd.   | 10,916,806             | 2,550,579          | -                   | 10,916,806 | 2,550,579              | 270,287                |
| Nishat Mills Limited Employees Provident Fund Trust                      | 4,820,874              | 4,660,759          | -                   | 9,347,894  | 133,739                | 14,172                 |
| Adamjee Life Assurance Co. Ltd.-Null Fund                                | -                      | 96,938             | -                   | 96,938     | -                      | -                      |
| Adamjee Insurance Co. Limited Employees Provident Fund                   | -                      | 865,107            | -                   | 432,553    | 432,553                | 45,838                 |
| MCB Financial Services Limited   | 526,148                | 67,650             | -                   | 18,991     | 574,808                | 60,913                 |
| D.G. Khan Cement Company Ltd   | -                      | 2                  | -                   | -          | 2                      | 0                      |
| Nishat Power Limited Employees Provident Fund Trust                      | 88,436                 | 22,736             | -                   | 111,173    | -                      | 11,727                 |
| Adamjee Insurance Co. Ltd. Employees Gratuity Fund                       | 135,991                | 298,299            | -                   | 434,290    | -                      | 45,126                 |
| Adamjee Insurance Co. Ltd Employees Provident Fund                       | 279,638                | 588,920            | -                   | 868,558    | -                      | 90,250                 |
| Security General Insurance Co. Ltd. Employees Provident Fund Trust       | 30,559                 | 9,825              | -                   | -          | 40,384                 | 4,280                  |
| <b>Key management personnel</b>  | 9,713                  | 97,535             | -                   | 98,478     | 8,771                  | 929                    |
| <b>Mandate Under Discretionary Portfolio Services</b>                    | 11,175,921             | 22,544,225         | -                   | 26,589,774 | 7,130,373              | 755,610                |
| <b>Unit holders holding 10% or more units</b>                            | -                      | 25,381,412         | -                   | 10,913,403 | 14,468,009             | 1,533,184              |
|  | (Rupees in '000)       |                    |                     |            |                        |                        |
|  | As at<br>July 01, 2016 | Issued<br>for cash | Bonus /<br>Dividend | Redeemed   | As at June 30,<br>2017 | As at June<br>30, 2017 |
|  | Units                  |                    |                     |            |                        |                        |
| <b>Associated Companies</b>  |                        |                    |                     |            |                        |                        |
| MCB - Arif Habib Savings and Investment Limited -<br>Management Company  | -                      | 16,839,312         | -                   | 13,018,275 | 3,821,037              | 384,145                |
| Adamjee Insurance Company Limited  | -                      | 10,916,806         | -                   | -          | 10,916,806             | 1,097,332              |
| Nishat Mills Limited Employees Provident Fund Trust                      | 659,948                | 9,638,602          | -                   | 5,477,676  | 4,820,874              | 484,583                |
| MCB Financial Services Limited   | -                      | 526,148            | -                   | -          | 526,148                | 52,887                 |
| Adamjee Life Assurance Co. Ltd. (ISF)                                    | -                      | 49,571             | -                   | 49,571     | -                      | -                      |
| Adamjee Life Assurance Co. Ltd. (ISF II)                                 | -                      | 1,138,601          | -                   | 1,138,601  | -                      | -                      |
| D.G. Khan Cement Company Ltd   | -                      | 7,962,797          | -                   | 7,962,797  | -                      | -                      |
| Security General Insurance Company Ltd                                   | -                      | 6,984,222          | -                   | 6,984,222  | -                      | -                      |
| Nishat Power Limited Employees Provident Fund Trust                      | -                      | 118,482            | -                   | 30,046     | 88,436                 | 8,889                  |
| Adamjee Insurance Co. Ltd. Employees Gratuity Fund                       | -                      | 378,672            | -                   | 242,681    | 135,991                | 13,669                 |
| Adamjee Insurance Co. Ltd Employees Provident Fund                       | -                      | 691,652            | -                   | 412,014    | 279,638                | 28,109                 |
| Security General Insurance Co. Ltd. Employees Provident Fund Trust       | -                      | 30,559             | -                   | -          | 30,559                 | 3,072                  |
| <b>Key management personnel</b>  | 16,925                 | 752,653            | -                   | 601,754    | 167,824                | 16,869                 |
| <b>Mandate Under Discretionary Portfolio Services</b>                    | 6,900,439              | 48,170,624         | -                   | 42,610,569 | 12,460,494             | 1,252,500              |



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

| Name                      | Designation              | Qualification                | Experience in years |
|---------------------------|--------------------------|------------------------------|---------------------|
| Mr. Muhammad Saqib Saleem | Chief Executive Officer  | FCA & FCCA                   | 21                  |
| Mr. Muhammad Asim         | Chief Investment Officer | MBA & CFA                    | 15                  |
| Mr. Saad Ahmed            | Head of Fixed Income     | MBA                          | 13                  |
| Mr. Syed Abid Ali         | Head of Equities         | MBA                          | 10                  |
| Mr. Awais Abdul Sattar    | Head of Research         | MBA & CFA                    | 07                  |
| Mr. Syed Muhammad Usama   | Manager - Fixed Income   | B- COM, Master & Economic- I | 15                  |

**20.1** Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Income Enhancement Fund
- Pakistan Cash Management Fund
- MCB DCF Income Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund

## 21. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID 2018 (Percentage)

|    |                                    |       |
|----|------------------------------------|-------|
| 1  | Next Capital Limited               | 19.39 |
| 2  | Invest Capital Markets Limited     | 13.18 |
| 3  | C & M Management Private Limited   | 11.05 |
| 4  | BMA Capital Management Limited     | 11.03 |
| 5  | Invest One Markets Private Limited | 8.20  |
| 6  | Arif Habib Limited                 | 7.16  |
| 7  | Bright Capital Private Limited     | 6.22  |
| 8  | JS Global Capital Limited          | 4.73  |
| 9  | Pearl Securities Limited           | 4.72  |
| 10 | BIPL Securities Limited            | 4.57  |

## 2017 (Percentage)

|    |  |       |
|----|--|-------|
| 1  | EFG Hermes Pakistan Limited                | 16.89 |
| 2  | Invest ONE Private Limited                 | 13.31 |
| 3  | BMA Capital Management Limited             | 11.74 |
| 4  | Magenta Capital Limited                    | 10.98 |
| 5  | C & M Management Private Limited           | 9.77  |
| 6  | FSCL Asset Management Limited              | 9.72  |
| 7  | Icon Securities Private Limited            | 8.47  |
| 8  | Invest Capital Market                      | 6.09  |
| 9  | Elixir Securities Pakistan Private Limited | 3.70  |
| 10 | Vector Capital Private Limited             | 2.96  |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### 22. PATTERN OF UNIT HOLDINGS

| As at June 30, 2018     |                           |                    |   |                               |
|-------------------------|---------------------------|--------------------|---|-------------------------------|
|                         | Number of<br>unit holders | Number of<br>units | Investment<br>amount<br>(Rupees in '000') | Percentage<br>investment<br>% |
| Individuals             | 1233                      | 17,314,288         | 1,834,806                                 | 15.30                         |
| Retirement funds        | 31                        | 6,048,734          | 640,988                                   | 5.34                          |
| Public Listed Companies | 47                        | 71,763,969         | 7,604,875                                 | 63.41                         |
| Associated Companies    | 6                         | 7,697,033          | 815,660                                   | 6.80                          |
| Others                  | 33                        | 10,345,572         | 1,096,327                                 | 9.14                          |
|                         | <b>1350</b>               | <b>113,169,596</b> | <b>11,992,656</b>                         | <b>100.00</b>                 |

| As at June 30, 2017     |                           |                    |   |                               |
|-------------------------|---------------------------|--------------------|---|-------------------------------|
|                         | Number of<br>unit holders | Number of<br>units | Investment<br>amount<br>(Rupees in '000') | Percentage<br>investment<br>% |
| Individuals             | 689                       | 14,400,854         | 1,447,779                                 | 14.34                         |
| Retirement funds        | 46                        | 8,537,099          | 858,271                                   | 8.50                          |
| Public Listed Companies | 4                         | 14,328,254         | 1,440,480                                 | 14.27                         |
| Associated Companies    | 6                         | 20,500,495         | 2,061,001                                 | 20.42                         |
| Others                  | 48                        | 42,627,006         | 4,285,474                                 | 42.46                         |
|                         | <b>793</b>                | <b>100,393,708</b> | <b>10,093,005</b>                         | <b>100.00</b>                 |

### 23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd meeting of the Board of Directors were held on July 6, 2017, August 04, 2017, September 07, 2017, October 12, 2017, October 20, 2017, February 02, 2018, February 23, 2018, April 19, 2018 and June 11, 2018 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

| Name of persons<br>attending the<br>meetings | Designation                | Number of<br>Meetings<br>Held | Number of meetings     |          |               | Meetings Not<br>Attended                |
|--|----------------------------|-------------------------------|------------------------|----------|---------------|---|
|  |                            |                               | Attendance<br>required | Attended | Leave Granted |   |
| Mr. Mian Mohammad Mansha                     | Chairman                   | 9                             | 9                      | 4        | 5             | 134th, 135th, 136th,<br>138th and 142nd |
| Mr. Nasim Beg                                | Director                   | 9                             | 9                      | 9        | -             | -                                       |
| Dr. Syed Salman Ali Shah                     | Director                   | 4                             | 9                      | 7        | 2             | 134th and 138th                         |
| Mr. Haroun Rashid                            | Director                   | 9                             | 9                      | 6        | 3             | 135th, 136th and 142nd                  |
| Mr. Ahmed Jahangir                           | Director                   | 9                             | 9                      | 9        | -             | -                                       |
| Mr. Samad A. Habib                           | Director                   | 9                             | 9                      | 5        | 4             | 134th, 136th, 138th and<br>139th        |
| Mr. Saqib Saleem                             | Chief Executive<br>Officer | 9                             | 9                      | 9        | -             | -                                       |
| Mr. Mirza Qamar Beg                          | Director                   | 4                             | 9                      | 7        | 2             | 138th and 142nd                         |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

## 24. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. 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 primarily invests in a mix of short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks.

### 24.1 Market risk

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

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

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

#### 24.1.1 Currency risk

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

#### 24.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Currently the Funds exposure is limited to fixed interest rate instruments.

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

As at June 30, 2018, the Fund does not hold any variable rate instruments except balances with banks in savings accounts exposing the Fund to cash flow interest rate risk.

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

| June 30, 2018                                 |                       |   |                       |   |                   |
|---|-----------------------|---|-----------------------|---|-------------------|
| Yield /<br>effective<br>interest<br>rate (%)  | Up to three<br>months | More than<br>three<br>months and<br>up to one | More than<br>one year | Not<br>exposed to<br>yield /<br>interest risk | Total             |
| Rupees in '000                                |                       |   |                       |   |                   |
| <b>On-balance sheet financial instruments</b> |                       |   |                       |   |                   |
| <b>Financial Assets</b>                       |                       |   |                       |   |                   |
| Balances with banks      3.75% to 6.90%       | 12,048,477            | -   | -                     | 9,332   | 12,057,809        |
| Profit receivable and security deposits       | -                     | -   | -                     | 55,367  | 55,367            |
|   | <b>12,048,477</b>     | <b>-</b>                                      | <b>-</b>              | <b>64,699</b>                                 | <b>12,113,176</b> |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

| June 30, 2018                                  |                       |   |                       |   |                   |
|--|-----------------------|---|-----------------------|---|-------------------|
| Yield /<br>effective<br>interest<br>rate (%)   | Up to three<br>months | More than<br>three<br>months and<br>up to one | More than<br>one year | Not<br>exposed to<br>yield /<br>interest risk | Total             |
| Rupees in '000                                 |                       |   |                       |   |                   |
| <b>Financial Liabilities</b>                   |                       |   |                       |   |                   |
| Payable to the Management Company              | -                     | -   | -                     | 10,254  | 10,254            |
| Accrued expenses and other liabilities         | -                     | -   | -                     | 4,456   | 4,456             |
|  | -                     | -   | -                     | 14,710  | 14,710            |
| <b>On-balance sheet gap</b>                    | <b>12,048,477</b>     | <b>-</b>                                      | <b>-</b>              | <b>49,989</b>                                 | <b>12,098,466</b> |
| <b>Off-balance sheet financial instruments</b> | <b>-</b>              | <b>-</b>                                      | <b>-</b>              | <b>-</b>                                      | <b>-</b>          |

| June 30, 2017                                  |                       |   |                       |   |                   |
|--|-----------------------|---|-----------------------|---|-------------------|
| Yield /<br>effective<br>interest<br>rate (%)   | Up to three<br>months | More than<br>three<br>months and<br>up to one | More than<br>one year | Not<br>exposed to<br>yield /<br>interest risk | Total             |
| Rupees in '000                                 |                       |   |                       |   |                   |
| <b>On-balance sheet financial instruments</b>  |                       |   |                       |   |                   |
| <b>Financial Assets</b>                        |                       |   |                       |   |                   |
| Balances with banks 3.75% to 6.75%             | 9,286,266             | -   | -                     | 21,448  | 9,307,714         |
| Investments                                    |                       |   |                       |   |                   |
| loans and receivables                          |                       |   |                       |   |                   |
| - Term deposit receipts 6.50%                  | -                     | -   | -                     | 800,000                                       | 800,000           |
| - Commercial papers 7.91%                      | -                     | 48,644  | -                     | -   | 48,644            |
|  | -                     | 48,644  | -                     | 800,000                                       | 848,644           |
| Profit receivable                              | -                     | -   | -                     | 52,935  | 52,935            |
| Security deposits                              | -                     | -   | -                     | 100   | 100               |
|  | <b>9,286,266</b>      | <b>48,644</b>                                 | <b>-</b>              | <b>821,548</b>                                | <b>10,156,458</b> |
| <b>Financial Liabilities</b>                   |                       |   |                       |   |                   |
| Payable to the management company              | -                     | -   | -                     | 5,612   | 5,612             |
| Accrued expenses and other liabilities         | -                     | -   | -                     | 2,783   | 2,783             |
|  | -                     | -   | -                     | 8,395   | 8,395             |
| <b>On-balance sheet gap</b>                    | <b>9,286,266</b>      | <b>48,644</b>                                 | <b>-</b>              | <b>813,153</b>                                | <b>10,148,063</b> |
| <b>Off-balance sheet financial instruments</b> | <b>-</b>              | <b>-</b>                                      | <b>-</b>              | <b>-</b>                                      | <b>-</b>          |

### 24.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The fund does not hold any security which exposes the Fund to price risk.

### 24.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on investment in term finance certificates and sukuks, loans and receivables, and balances with

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

bank. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Treasury bills are government backed and hence considered as secured.

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

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

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

|   | 2018                         | 2017              |
|---|------------------------------|-------------------|
|   | ----- (Rupees in '000) ----- |                   |
| Balances with banks                     | 12,057,809                   | 9,307,714         |
| Investments                             | -                            | 848,644           |
| Profit receivable and security deposits | 55,367                       | 52,935            |
|   | <u>12,113,176</u>            | <u>10,209,293</u> |

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

### Bank Balances by rating category

|            | 2018          | 2017       |
|------------|---------------|------------|
|            | ----- % ----- |            |
| AAA / A1+  | 35.25         | 1.31       |
| AAA / A-1+ | 59.31         | 53.52      |
| AA+ / A1+  | -             | 0.14       |
| AA / A1+   | 5.44          | 45.04      |
|            | <u>100</u>    | <u>100</u> |

### Investment in fixed income securities

There are no investments in fixed income securities as at June 30, 2018.

### Security deposits

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

### Concentration of credit risk

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

### Settlement risk

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

### 24.3 Liquidity risk

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

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

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

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

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

|   | June 30, 2018               |   |                    |               |
|---|-----------------------------|---|--------------------|---------------|
|   | Up to three months          | More than three months and up to one year | More than one year | Total         |
|   | ----- (Rupees in'000) ----- |   |                    |               |
| Payable to the Management Company                         | 10,254                      | -   | -                  | 10,254        |
| Payable to the Central Depository Company of Pakistan Lim | 1,011                       | -   | -                  | 1,011         |
| Accrued expenses and other liabilities                    | 4,456                       | -   | -                  | 4,456         |
|   | <b>15,721</b>               | <b>-</b>                                  | <b>-</b>           | <b>15,721</b> |



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|   | June 30, 2017               |   |                    | Total        |
|---|-----------------------------|---|--------------------|--------------|
|   | Up to three months          | More than three months and up to one year | More than one year |              |
|   | ----- (Rupees in'000) ----- |   |                    |              |
| Payable to the Management Company                         | 5,612                       | -   | -                  | 5,612        |
| Payable to the Central Depository Company of Pakistan Lim | 628                         | -   | -                  | 628          |
| Accrued expenses and other liabilities                    | 2,783                       | -   | -                  | 2,783        |
|   | <b>9,023</b>                | <b>-</b>                                  | <b>-</b>           | <b>9,023</b> |

## 24.4 Financial instruments by category

|   | June 30, 2018               |   |   | Total             |
|---|-----------------------------|---|---|-------------------|
|   | Loans and receivables       | Assets classified as Available for sale | Assets classified at fair value through profit and loss |                   |
|   | ----- (Rupees in'000) ----- |   |   |                   |
| <b>Financial Assets</b>                 |                             |   |   |                   |
| Balances with banks                     | 12,057,809                  | -                                       | -   | 12,057,809        |
| Profit receivable and security deposits | 55,367                      | -                                       | -   | 55,367            |
|   | <b>12,113,176</b>           | <b>-</b>                                | <b>-</b>  | <b>12,113,176</b> |

|  | June 30, 2018                                     |                             | Total         |
|--|---|-----------------------------|---------------|
|  | Liabilities at fair value through profit and loss | Other financial liabilities |               |
|  | ----- (Rupees in'000) -----                       |                             |               |
| <b>Financial Liabilities</b>   |   |                             |               |
| Payable to the Management Company                                      | -   | 10,254                      | 10,254        |
| Payable to the Central Depository Company of Pakistan Limited- Trustee | -   | 1,011                       | 1,011         |
| Accrued expenses and other liabilities                                 | -   | 4,456                       | 4,456         |
|  | <b>-</b>  | <b>15,721</b>               | <b>15,721</b> |

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

|                         | June 30, 2017         |   |   |
|-------------------------|-----------------------|---|---|
|                         | Loans and receivables | Assets classified as Available for sale | Assets classified at fair value through profit and loss |
|                         |                       |   | Total   |
|                         | (Rupees in'000)       |   |   |
| <b>Financial Assets</b> |                       |   |   |
| Balances with banks     | 9,307,714             | -                                       | 9,307,714   |
| Investments             | 848,644               | -                                       | 848,644   |
| Profit receivable       | 52,774                | -                                       | 52,774  |
| Security deposits       | 100                   | -                                       | 100   |
|                         | 10,209,232            | -                                       | 10,209,232  |

|  | June 30, 2017                                     |                             |       |
|--|---|-----------------------------|-------|
|  | Liabilities at fair value through profit and loss | Other financial liabilities | Total |
|  |   |                             |       |
|  | (Rupees in'000)                                   |                             |       |
| <b>Financial Liabilities</b>                                       |   |                             |       |
| Payable to Management Company                                      | -   | 5,612                       | 5,612 |
| Payable to Central Depository Company of Pakistan Limited- Trustee | -   | 628                         | 628   |
| Accrued expenses and other liabilities                             | -   | 2,783                       | 2,783 |
|  | -   | 9,023                       | 9,023 |

### 24.5 Fair value of financial instruments

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

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

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

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

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

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

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

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

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## 25. UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a variable final cash distribution of upto Rs. 5.4255 per unit. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

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

These financial statements were authorized for issue on September 14, 2018 by the Board of Directors of the Management Company.

  
\_\_\_\_\_  
**Director**

**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2018**

| <b>No. of Unit Holders</b> | <b>Unit Holdings</b> | <b>Total Units Held</b> |
|----------------------------|----------------------|-------------------------|
| 989                        | 0-10000              | 2,001,663               |
| 269                        | 10001 - 100000       | 8,723,926               |
| 69                         | 100001 - 1000000     | 19,939,553              |
| 23                         | 1000001 - Onwards    | 82,504,454              |
| <u>1350</u>                |                      | <u>113,169,596</u>      |

## PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

| Performance Information                            | 2018     | 2017    | 2016   | 2015   | 2014     |
|--|----------|---------|--------|--------|----------|
| Total Net Assets Value – Rs. in million            | 11,993   | 10,093  | 3,958  | 12,533 | 10,181   |
| Net Assets value per unit – Rupees                 | 105.9707 | 100.53  | 100.34 | 100.11 | 100.02   |
| Closing Offer Price                                | 105.9707 | 100.53  | 100.34 | 100.11 | 100.02   |
| Closing Repurchase Price                           | 105.9707 | 100.53  | 100.34 | 100.11 | 100.02   |
| Highest offer price per unit                       | 105.9707 | 106.95  | 105.64 | 108.46 | 101.74   |
| Lowest offer price per unit                        | 100.579  | 100.34  | 100.13 | 100.00 | 100.00   |
| Highest Redemption price per unit                  | 105.9707 | 106.95  | 105.64 | 108.46 | 101.39   |
| Lowest Redemption price per unit                   | 100.579  | 100.34  | 100.13 | 100.00 | 100.00   |
| Distribution per unit – Rs. *                      | -        | 6.90    | 5.55   | 8.70   | 7.91     |
| <b>Average Annual Return - %</b>                   |          |         |        |        |          |
| One year   | 5.41     | 7.11    | 5.77   | 8.83   | 8.25     |
| Two year   | 6.26     | 6.44    | 7.30   | 8.53   | 8.73     |
| Three year (inception date September 30, 2009)     | 6.10     | 7.24    | 7.62   | 8.75   | 9.57     |
| Net Income for the period – Rs. in million         | 673.48   | 140.68  | 89.62  | 130.69 | 1,059.01 |
| Distribution made during the year – Rs. in million | -        | 157.20  | 13.26  | 120.58 | 1,056.87 |
| Accumulated Capital Growth – Rs. in million        | 673.48   | (16.52) | 76.37  | 10.11  | 2.13     |
| Weighted average Portfolio Duration (months)       | 0.03     | 0.23    | 0.33   | 1.70   | 4.17     |

**\* Date of Distribution**

| 2017          |      |
|---------------|------|
| Date          | Rate |
| June 19, 2017 | 6.90 |

| 2016          |      |
|---------------|------|
| Date          | Rate |
| June 25, 2016 | 5.55 |

| 2015          |      |
|---------------|------|
| Date          | Rate |
| June 22, 2015 | 8.70 |

| 2014               |      |
|--------------------|------|
| Date               | Rate |
| July 26, 2013      | 0.52 |
| August 27, 2013    | 0.60 |
| September 26, 2013 | 0.63 |
| October 29, 2013   | 0.71 |
| November 28, 2013  | 0.61 |
| December 27, 2013  | 0.65 |
| January 28, 2013   | 0.72 |
| February 27, 2013  | 0.69 |
| March 27, 2014     | 0.63 |
| April 29, 2014     | 0.73 |
| May 28, 2014       | 0.66 |
| June 27, 2014      | 0.75 |

**Disclaimer**

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

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

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