



MCB-ARIF HABIB  
Savings and Investments Limited

AMZ  
BY NCPA

# ANNUAL REPORT 2018

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

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## **Vision**

To become synonymous with Savings.

## **Mission**

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

## **Core Values**

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

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# **MCB DCF INCOME FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member 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> CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes</b> Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway 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 DCF Income Fund** 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 4.62% as against its benchmark return of 6.22%. The WAM of the fund reduced to 1.6 years because of interest rate outlook which is on a rising trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 2.9% invested in T-Bills, 57.2% in Cash and 29.3% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 4,872 million as compared to Rs. 6,190 million as at June 30, 2017 registering a decrease of 21.29%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs.111.3412 as compared to opening NAV of Rs. 106.4294 per unit as at June 30, 2017 registering an increase of Rs. 4.9118 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.

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

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 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.

On the equity side, post elections, we shall closely monitor the environment to incorporate the new policy guidance as it becomes available. In broader terms, we believe, the last two years market performance (down approx. 20% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer little downside potential which puts in a lot of comfort for long term investors. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly. Our Top-Down analysis favors sectors that benefit from currency depreciation and higher interest rates; however, we cannot ignore the individual company dynamics along with their prices that can play an important role in security selection.

### 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:



## 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. 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:

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, EY Ford Rhodes 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 have 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

## ڈائریکٹر رپورٹ

### 2. ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

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

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
-	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 "ای وائے فور ڈیوڈز" چارٹرڈ اکاؤنٹنٹس دوران سال ریٹائر ہو گئے ہیں اور 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لئے فنڈ کے خارجی آڈیٹرز کے طور پر "ای وائے فرگوسن اینڈ کمپنی" چارٹرڈ اکاؤنٹنٹس کی تقرری کی گئی ہے۔ ای وائے فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے بھی فنڈ کے آڈیٹرز کے طور پر کام کرنے کے لئے رضامندی کا اظہار کیا 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 شکر گزار 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

## ڈائریکٹر رپورٹ

- a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے 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. انٹرئل 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 شہمت نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیوٹیز، 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 پینشن 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 ٹریننگ 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
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
3	6	9	1. جناب ہارون رشید	9
-	9	9	2. جناب احمد جہانگیر	9
2	7	9	3. جناب نسیم بیگ	9
2	7	9	4. مرزا محمد قمر بیگ	9

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع %4.62 تھا جبکہ مقررہ معیار %6.22 تھا۔ فنڈ کا WAM کم ہو کر 1.6 سال ہو گیا جس کی وجہ انٹریسٹ کی شرحوں میں اضافے کا رجحان ہے۔ زیر جائزہ مدت کے دوران فنڈ کی شمولیت زیادہ تر نقد اور ٹرم فنانس سٹرٹیکٹس (TFCs) میں رہی۔ اختتام مدت پر فنڈ کی سرمایہ کاری %2.9 ٹی بلز میں، %57.2 نقد میں اور %29.3 ٹرم فنانس سٹرٹیکٹس میں تھی۔ نقد میں زیادہ شمولیت اس لیے کی گئی 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 4,872 ملین روپے تھے، جو 30 جون 2017ء کو 6,190 ملین روپے کے مقابلے میں %21.29 کمی ہے۔

30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 111.3412 روپے تھی، جو 30 جون 2017ء کو 106.4294 روپے ابتدائی NAV کے مقابلے میں 4.9118 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 تنظیم 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 لیے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹر پر مشتمل بورڈ مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے عمدہ کارپوریٹ گورننس کے لیے 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 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 لیے خصوصی بیانات دیئے جا رہے ہیں:

## عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار کا جائزہ

مالی سال 2018ء متضاد معاشی علامات کے مدوجزر 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 برآں، 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 درآمداتی 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، رینیل 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 سیکورٹیز میں دلچسپی کا اظہار نہیں کیا۔ مچھوڑی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹر ریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹر 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 DCF Income Fund (MCB DCFIF) is an open-end Income scheme, which falls under the category of Income Scheme.

### Fund Benchmark

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

### Investment Objective

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

### Investment Strategy

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

### Manager's Review

During the period under review, the fund generated an annualized return of 4.62% as against its benchmark return of 6.22%. The fund allocation remained notably in cash and TFCs as at the end of the period under review. At period-end, the fund was 2.9% invested in T-Bills, 57.2% in Cash and 29.3% in TFCs.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 4,872 million as compared to Rs. 6,190 million as at June 30, 2017 registering a decrease of 21.3%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 111.3412 as compared to opening NAV of Rs. 106.4294 per unit as at June 30, 2017 registering an increase of Rs. 4.9118 per unit.

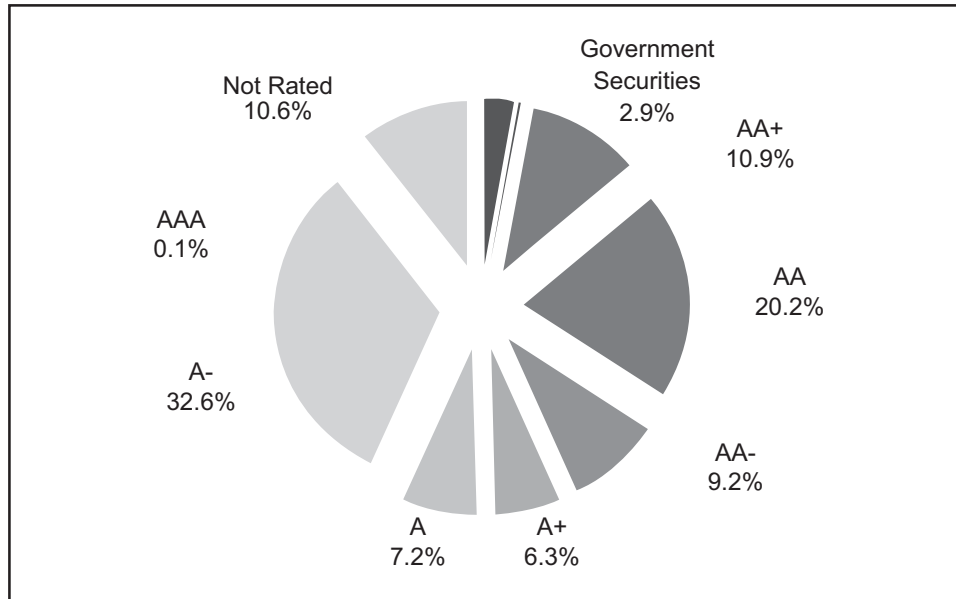
**Asset Allocation as on June 30, 2018 (% of total assets)**

Particulars	June18
Cash	57.2%
Term Deposit with Banks	0.0%
PIBS	0.0%
TFCs	29.3%
Spread Transactions	2.3%
T-Bills	2.9%
Others including receivables	8.3%
Margin Trading	0.0%
Placements with Banks and DFIs	0.0%

## 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 14, 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 Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB DCF INCOME FUND

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

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



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

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## INDEPENDENT AUDITORS' REPORT

To the Unit holders of MCB DCF INCOME FUND

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **MCB DCF Income Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2018**, and income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

#### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) 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 Standards Board for Accountants' Code of Ethics for Professional Accountants as adopted by the Institute of Chartered Accountants of Pakistan (the Code) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Amendment to the NBFC Regulations, 2008</b>	
As disclosed in note 4.1 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the Securities and Exchange Commission of Pakistan through its SRO no. 756(I)/2017 dated 03 August 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations).	We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Key audit matter	How our audit addressed the key audit matter
These amendments are considered significant to our audit because application of the said amendments resulted in change in accounting policy relating to presentation "element of income / loss" in the financial statements and certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' (the Statements).	We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.
<b>2. Existence and valuation of debt securities</b>	
<p>As disclosed in note 6 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the investments held by the Fund comprised of debt instruments which represent 31% of the total assets of the Fund as at the year end.</p> <p>In view of the significance of these debt instruments in relation to the total assets and the NAV of the Fund, we have consider the existence and valuation of such debt instruments as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt instruments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We tested controls over acquisition, disposals and periodic valuation of debt instruments portfolio.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review custodian's statement, and related reconciliations, re-performance of debt instruments valuations on the basis of prices provided by the Mutual Fund Association of Pakistan (MUFAP).</li> <li>- We considered credit impairment provisions in respect of debt securities which have been classified and reported under default category by MUFAP at the valuation date and assessed the adequacy of the impairment provision against such securities with reference to the requirements laid down by the Securities and Exchange Commission of Pakistan's circular No. 33 of 2012.</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt instruments and exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt instruments portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of debt instruments are compliant with the relevant accounting requirements.</li> </ul>

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



### Other Information

Management 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 auditors' report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance 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, 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 and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting and reporting 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, Management 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 either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

### 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 as applicable in Pakistan 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 as applicable in Pakistan, we exercise professional judgment and maintain professional skepticism 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.

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management'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 the Board of Directors 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 the Board of Directors 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 the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period 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.

The engagement partner on the audit resulting in this independent auditor's report is Shaikh Ahmed Salman.

Chartered Accountants

Date: 14 September 2018

Karachi

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

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	5	2,944,793	3,458,357
Investments	6	1,687,001	2,965,055
Mark-up, dividend and other receivables	7	44,738	67,208
Receivable against sale of investments		221,310	-
Receivable against margin trading system (MTS)		1,893	69,112
Advances, deposits and prepayments	8	142,248	28,200
<b>Total assets</b>		<b>5,041,983</b>	<b>6,587,932</b>
<b>LIABILITIES</b>			
Payable to the Management Company	9	7,138	8,269
Payable to the Trustee	10	441	563
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	11	4,114	5,131
Payable against redemption of units		4,739	18,964
Payable against purchase of investments		-	196,209
Accrued and other liabilities	12	153,058	169,035
<b>Total liabilities</b>		<b>169,490</b>	<b>398,171</b>
<b>NET ASSETS</b>		<b>4,872,493</b>	<b>6,189,761</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>4,872,493</b>	<b>6,189,761</b>
<b>Contingencies and commitments</b>	13		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>43,761,823</b>	<b>58,158,379</b>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<b>111.3412</b>	<b>106.4294</b>

The annexed notes from 1 to 25 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

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>INCOME</b>			
Mark-up on bank deposits and term deposit receipts		187,322	175,855
Mark-up on margin trading system (MTS)		49,035	24,615
Net gain / (loss) on sale of investments classified as:			
- 'at fair value through profit or loss - held-for-trading'		2,595	106,074
- 'available-for-sale'		49	(13,242)
Income from Government securities classified as:			
- 'at fair value through profit or loss - held-for-trading'		18,424	40,196
- 'available-for-sale'		54	38,346
Income from term finance and sukuk certificates classified as			
'at fair value through profit or loss - held-for-trading'		107,096	140,180
Dividend income from investments classified as 'at fair value through			
profit or loss - held-for-trading'		54,174	59,292
Net unrealised (loss) / gain on revaluation of investments classified as			
'at fair value through profit or loss - held-for-trading'	6.4.5	(17,285)	1,347
Loss from spread transactions - net	6.2.1	(23,119)	(68,682)
Other income		1,252	302
Reversal of provision / (provision) against debt securities		446	(7,943)
Reversal of provision for Workers' Welfare Fund (WWF)	12.1	-	110,364
<b>Total income</b>		<b>380,043</b>	<b>606,704</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	(82,278)	(96,223)
Sales tax on remuneration of the Management Company	9.2	(10,696)	(13,588)
Expenses allocated by the Management Company and related taxes	9.3	(6,198)	(7,730)
Remuneration of the Trustee	10.1	(5,424)	(6,388)
Sales tax on remuneration of the Trustee	10.2	(705)	(830)
Annual fee to SECP	11	(4,114)	(5,131)
Auditors' remuneration	14	(757)	(822)
Brokerage, settlement and bank charges		(18,557)	(28,207)
Legal and professional charges		(165)	(749)
Fees and subscription		(506)	(593)
Printing and related costs		-	(372)
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	(5,013)	(5,899)
<b>Total expenses</b>		<b>(134,413)</b>	<b>(166,532)</b>
<b>Net income for the year from operating activities</b>		<b>245,630</b>	<b>440,172</b>
Net element of loss and capital losses included in prices			
of units issued less those in units redeemed		-	(151,140)
<b>Net income for the year before taxation</b>		<b>245,630</b>	<b>289,032</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>245,630</b>	<b>289,032</b>
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		245,630	-
Income already paid on units redeemed		(63,238)	-
		<b>182,392</b>	<b>-</b>
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		182,392	-
		<b>182,392</b>	<b>-</b>

The annexed notes from 1 to 25 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 COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>Net income for the year after taxation</b>	<b>245,630</b>	289,032
<b>Other comprehensive loss for the year:</b>		
<b>To be reclassified to income statement in subsequent periods:</b>		
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(13)	(6,456)
<b>Total comprehensive income for the year</b>	<b>245,617</b>	282,576

The annexed notes from 1 to 25 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018			June 30, 2017	
	Capital value	Undistributed income	Unrealised appreciation / (diminution) on available-for-sale investments (Rupees in '000)	Total	Total
<b>Net assets at beginning of the year</b>	5,798,921	390,834	6	6,189,761	6,848,672
Issue of 14,593,537 (2017: 81,316,262) units:					
- Capital value (at net assets value per unit at beginning of the year)	1,553,181	-	-	1,553,181	-
- Element of income	39,218	-	-	39,218	-
	1,592,399	-	-	1,592,399	8,830,711
Redemption of 28,990,093 (2017: 87,741,000) units:					
- Capital value (at net assets value per unit at beginning of the year)	3,085,398	-	-	3,085,398	-
- Element of income	6,648	63,238	-	69,886	-
	3,092,046	63,238	-	3,155,284	9,663,887
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	151,140
Total comprehensive income / (loss) for the year	-	245,630	(13)	245,617	282,576
Distribution during the year	-	-	-	-	(259,451)
Net income for the year less distribution	-	245,630	(13)	245,617	23,125
<b>Net assets at end of the year</b>	<b>4,299,274</b>	<b>573,226</b>	<b>(7)</b>	<b>4,872,493</b>	<b>6,189,761</b>
<b>Undistributed income brought forward</b>					
- Realised		390,834			397,428
- Unrealised		-			3,461
		390,834			400,889
Accounting income available for distribution:					
- Relating to capital gains		-			-
- Excluding capital gains		182,392			-
		182,392			-
Net income for the year after taxation		-			289,032
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised loss		-			(39,636)
Distribution during the year		-			(259,451)
<b>Undistributed income carried forward</b>		<b>573,226</b>			<b>390,834</b>
<b>Undistributed income carried forward comprising of:</b>					
- Realised		590,511			390,834
- Unrealised		(17,285)			-
		573,226			390,834
<b>Net assets value per unit at beginning of the year</b>				<b>106.4294</b>	106.0443
<b>Net assets value per unit at end of the year</b>				<b>111.3412</b>	106.4294

The annexed notes from 1 to 25 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

	June 30, 2018	June 30, 2017
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	245,630	289,032
<b>Adjustments for:</b>		
Net (gain) / loss on sale of investments classified as:		
- 'at fair value through profit or loss - held-for-trading'	(2,595)	(106,074)
- 'available-for-sale'	(49)	13,242
Dividend income from investments classified as 'at fair value through profit or loss - held-for-trading'	(54,174)	(59,292)
Net unrealised loss / (gain) on revaluation of investments classified as 'at fair value through profit or loss - held-for-trading'	17,285	(1,347)
Loss from spread transactions - net	23,119	68,682
(Reversal of provision) / provision against debt securities	(446)	7,943
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	151,140
Reversal of provision for Workers' Welfare Fund (WWF)	-	(110,364)
Provision for Sindh Workers' Welfare Fund (SWWF)	5,013	5,899
	<b>233,783</b>	<b>258,861</b>
<b>Decrease / (increase) in assets</b>		
Investments	604,093	2,339,186
Mark-up, dividend and other receivables	21,947	35,786
Receivable against margin trading system (MTS)	67,219	(69,112)
Receivable against sale of investments	(221,310)	-
Advances, deposits and prepayments	(114,048)	(426)
	<b>357,901</b>	<b>2,305,434</b>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(1,131)	(3,944)
Payable to the Trustee	(122)	(118)
Annual fee payable to SECP	(1,017)	(3,581)
Payable against redemption of units	(14,225)	9,632
Payable against purchase of Investments	(196,209)	(344,367)
Accrued and other liabilities	(20,990)	(22,296)
	<b>(233,694)</b>	<b>(364,674)</b>
Dividends received	54,697	61,632
<b>Net cash generated from operating activities</b>	<b>412,687</b>	<b>2,261,253</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts against issue of units	1,592,399	8,830,711
Net payments on redemption of units	(3,155,284)	(9,663,887)
Dividend paid	-	(259,451)
<b>Net cash used in financing activities</b>	<b>(1,562,885)</b>	<b>(1,092,627)</b>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<b>(1,150,198)</b>	<b>1,168,626</b>
Cash and cash equivalents at beginning of the year	4,243,357	3,074,731
<b>Cash and cash equivalents at end of the year</b>	<b>3,093,159</b>	<b>4,243,357</b>

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The annexed notes from 1 to 25 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 DCF Income Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) on December 12, 2006.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.5 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2++' dated December 28, 2017 to the Management Company and a rating of "A+(f)" dated June 30, 2018 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) 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. Such standards comprise of:

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017 (the Act);
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
- The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of 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 New / Revised Standards, Interpretations and Amendments

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

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

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

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9 – Financial Instruments	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

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

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

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

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

### 3. BASIS OF PREPARATION

#### 3.1 Accounting convention

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

#### 3.2 Critical accounting estimates and judgments

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.7 respectively.

#### 3.3 Functional and presentation currency

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 2.2 and 4.1.

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

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

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 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 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.

'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 Holder's 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.

'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 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative year has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income / (loss) been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs.30.05 million. 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 statements.

### 4.2 Financial assets

The Fund classifies its financial assets in the following categories:

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

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

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

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

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

### **b) Financial assets classified as 'available-for-sale'**

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

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

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

## **4.3 Regular way contracts**

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

## **4.4 Initial recognition and measurement**

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

These investments are initially recognized at fair value. Transaction costs are recognized as expense in the income statement.

### **b) Available-for-sale and loans and receivables**

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

## **4.5 Subsequent measurement**

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

### **a) Debt securities**

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

### **b) Government securities**

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

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

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

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

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

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

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

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

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

#### **4.7 Impairment of financial assets**

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

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

#### **4.8 Derivatives**

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

#### **4.9 Derecognition**

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

#### **4.10 Offsetting of financial assets and liabilities**

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

#### **4.11 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.



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

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### 4.12 Issuance and redemption of units

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

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

### 4.13 Proposed distributions

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

### 4.14 Provisions

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

### 4.15 Earnings per unit

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

### 4.16 Taxation

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income available for distribution for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income available for distribution other than capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

### 4.17 Revenue recognition

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

### 4.18 Expenses

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



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

## 4.19 Cash and cash equivalents

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

## 4.20 Other assets

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

## 4.21 Foreign currency translation

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

## 4.22 Net assets value per unit

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

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>5. BALANCES WITH BANKS</b>			
In deposit accounts	5.1	<u>2,944,793</u>	<u>3,458,357</u>
5.1	These carry mark-up at rates ranging between 3.75% to 9.5% (2017: 3.75% to 8%) per annum and include a balance of Rs.3.24 (2017: Rs.4.93) million held with MCB Bank Limited (a related party).		

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>6. INVESTMENTS</b>			
<b>Investments by Category</b>			
<b>At fair value through profit or loss - held-for-trading</b>			
Government securities - Market treasury bills	6.1	148,366	249,225
Listed equity securities	6.2	117,007	287,648
Listed debt securities	6.3	383,026	736,400
Unlisted debt securities	6.4	1,038,946	903,393
Future stock contracts		(1,057)	2,643
		<u>1,686,288</u>	<u>2,179,309</u>
<b>Available-for-sale</b>			
Government securities - Pakistan investment bonds	6.5	713	746
<b>Loans and receivable</b>			
Term deposit receipt		-	785,000
		<u>1,687,001</u>	<u>2,965,055</u>

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

## 6.1 Market treasury bills - 'at fair value through profit or loss - held-for-trading'

Name of security	Note	Date of issue	As at July 01, 2017	Face Value		As at June 30, 2018	As at June 30, 2018		Market value	
				Purchased during the year	Sold / matured during the year		Carrying Value	Market value	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)										
Market Treasury Bills - 6 months		March 16, 2017	-	250,000	(250,000)	-	-	-	0.00%	0.00%
		January 19, 2017	250,000	-	(250,000)	-	-	-	0.00%	0.00%
Market Treasury Bills - 3 months		February 15, 2018	-	800,000	(800,000)	-	-	-	0.00%	0.00%
		August 31, 2017	-	250,000	(250,000)	-	-	-	0.00%	0.00%
		June 12, 2017	-	300,000	(300,000)	-	-	-	0.00%	0.00%
		January 18, 2018	-	500,000	(500,000)	-	-	-	0.00%	0.00%
		January 04, 2018	-	1,375,000	(1,375,000)	-	-	-	0.00%	0.00%
		February 01, 2018	-	150,000	(150,000)	-	-	-	0.00%	0.00%
		November 09, 2017	-	250,000	(250,000)	-	-	-	0.00%	0.00%
		April 12, 2018	-	150,000	(150,000)	-	-	-	0.00%	0.00%
6.1.1		April 26, 2018	-	100,000	(100,000)	-	-	-	0.00%	0.00%
		June 07, 2018	-	150,000	-	150,000	148,356	148,366	3.04%	8.79%
Total as at June 30, 2018	6.1.2						148,356	148,366	10	
Total as at June 30, 2017							249,258	249,225	(33)	

6.1.1 This will mature latest by August 30, 2018 (2017: July 20, 2017) and carries effective yield at the rate of 6.70% (2017: 5.98%) per annum.

6.1.2 The above includes Market treasury bill with a face value aggregating to Rs.150 (2017: Rs.100) million which has been pledged with National Clearing Company of Pakistan Limited as security against MTS trades and exposure margin / MTM losses as per Circular no. 11 dated October 23, 2007 issued by the SECP.

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

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

Name of investee company	Number of shares			Balance as at June 30, 2018			Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company	
	As at July 01, 2017	Purchased during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of		
								total investments		%
(Rupees in '000)										
Oil and gas exploration companies										
Pakistan Petroleum Limited	-	232,500	227,000	5,500	1,169	1,182	13	0.02%	0.00%	
Pakistan Oilfields Limited	-	41,500	40,000	1,500	968	1,008	40	0.02%	0.00%	
Oil & Gas Development Company Limited	44,500	1,181,500	1,213,500	12,500	1,989	1,945	(44)	0.04%	0.00%	
					4,126	4,135	9	0.09%	0.00%	

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

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

Name of investee company	Number of shares			Balance as at June 30, 2018			Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company	
	As at July 01, 2017	Purchased during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of net assets		As a percentage of total investments
Oil and gas marketing companies										
Sui Southern Gas Company Limited	-	5,832,500	5,644,500	188,000	6,795	6,170	(625)	0.13%	0.37%	0.02%
Sui Northern Gas Pipelines Limited	-	591,500	438,000	153,500	15,526	15,384	(142)	0.32%	0.91%	0.00%
Pakistan State Oil Company Limited	57,500	979,000	1,030,500	6,000	1,877	1,910	33	0.04%	0.11%	0.00%
					24,198	23,464	(734)	0.48%	1.39%	0.02%
Fertilizer										
Engro Fertilizers Limited	119,500	1,552,500	1,471,500	200,500	15,045	15,019	(26)	0.31%	0.89%	0.02%
Engro Corporation Limited	89,000	1,598,500	1,687,000	500	157	157	-	0.00%	0.01%	0.00%
Fauji Fertilizer Bin Qasim Limited	2,000	4,116,500	4,106,000	12,500	499	483	(16)	0.01%	0.03%	0.00%
Fauji Fertilizer Company Limited	76,000	728,000	789,500	14,500	1,437	1,434	(3)	0.03%	0.09%	0.00%
Fatima Fertilizer Company Limited	-	8,500	8,500	-	-	-	-	0.00%	0.00%	0.00%
- a related party					17,138	17,093	(45)	0.35%	1.02%	0.02%
Technology and communication										
Pakistan Telecommunication Company Limited 'A'	-	1,107,000	1,076,500	30,500	360	349	(11)	0.01%	0.02%	0.00%
WorldCall Telecom Limited	-	5,500	5,500	-	-	-	-	0.00%	0.00%	0.00%
TRG Pakistan Limited	2,544,500	2,653,500	5,198,000	-	-	-	-	0.00%	0.00%	0.00%
					360	349	(11)	0.01%	0.02%	0.00%
Power generation and distribution										
The Hub Power Company Limited	3,500	400,000	395,000	8,500	806	783	(23)	0.02%	0.05%	0.00%
K-Electric Limited *	3,685,500	38,616,000	39,754,000	2,547,500	14,181	14,470	289	0.30%	0.86%	0.01%
Kot Addu Power Company Limited	2,500	60,000	41,500	21,000	1,166	1,132	(34.00)	0.02%	0.07%	0.00%
					16,153	16,385	232	0.34%	0.98%	0.01%
Commercial banks										
United Bank Limited	-	122,000	122,000	-	-	-	-	0.00%	0.00%	0.00%
Bank Alfalah Limited	-	670,000	670,000	-	-	-	-	0.00%	0.00%	0.00%
The Bank of Punjab Limited	-	223,000	223,000	-	-	-	-	0.00%	0.00%	0.00%
Bank AL Habib Limited	-	3,000	3,000	-	-	-	-	0.00%	0.00%	0.00%
National Bank of Pakistan	-	19,500	19,500	-	-	-	-	0.00%	0.00%	0.00%
Askari Bank Limited	-	254,500	254,500	-	-	-	-	0.00%	0.00%	0.00%
Habib Bank Limited	-	11,500	11,500	-	-	-	-	0.00%	0.00%	0.00%
Habib Metropolitan Bank Limited	-	500	500	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	0.00%	0.00%	0.00%

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

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

Name of investee company	Number of shares			Balance as at June 30, 2018			Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2017	Purchased during the year	Sold during the year	As at June 30, 2018	Rupees in '000		As a percentage of net assets	As a percentage of total investments	
					Carrying value	Market value			
As at June 30, 2018 (Rupees in '000)									
Cement									
Fauji Cement Company Limited	220,500	3,858,000	3,808,500	270,000	6,652	6,170	(482)	0.13%	0.37%
Lucky Cement Limited	-	31,500	29,000	2,500	1,287	1,270	(17)	0.03%	0.08%
D.G. Khan Cement Company Limited									
- a related party	7,000	5,088,000	5,070,000	25,000	2,971	2,862	(109)	0.06%	0.17%
Power Cement Limited	-	40,000	40,000	-	-	-	-	0.00%	0.00%
Maple Leaf Cement Factory Limited	32,000	2,539,500	2,529,500	42,000	2,310	2,131	(179)	0.04%	0.13%
Cherat Cement Company Limited	-	163,500	161,000	2,500	244	243	(1)	0.01%	0.14%
Pioneer Cement Limited	-	321,000	290,000	31,000	1,414	1,453	39	0.03%	0.02%
					14,878	14,129	(749)	0.30%	0.87%
Food and personal care products									
Engro Foods Limited	42,500	292,000	333,500	1,000	94	89	(5)	0.00%	0.01%
Treet Corporation Limited	-	244,500	244,500	-	-	-	-	0.00%	0.00%
					94	89	(5)	0.00%	0.01%
Pharmaceuticals									
The Searle Company Limited	-	174,500	172,500	2,000	676	679	3	0.01%	0.04%
					676	679	3	0.01%	0.04%
Cable and electrical goods									
Pak Elektron Limited	177,500	17,274,000	17,365,000	86,500	3,163	3,067	(96)	0.06%	0.18%
TPL Trakker Limited	18,000	1,642,500	1,660,500	-	-	-	-	0.00%	0.00%
					3,163	3,067	(96)	0.06%	0.18%
Refinery									
Attock Refinery Limited	47,000	2,126,000	2,173,000	-	-	-	-	0.00%	0.00%
National Refinery Limited	-	49,000	49,000	-	-	-	-	0.00%	0.00%
Byco Petroleum Pakistan Limited	-	1,725,500	1,645,000	80,500	1,012	982	(30)	0.02%	0.06%
Pakistan Refinery Limited	-	109,000	109,000	-	-	-	-	0.00%	0.00%
					1,012	982	(30)	0.02%	0.06%
Engineering									
International Steels Limited	86,000	2,308,500	2,385,500	9,000	893	915	22	0.02%	0.05%
Amreli Steels Limited	-	148,500	148,500	-	-	-	-	0.00%	0.00%
Aisha Steel Mills Limited	-	1,877,000	1,877,000	-	-	-	-	0.00%	0.00%
Crescent Steels and Allied Products Limited	-	64,500	64,500	-	-	-	-	0.00%	0.00%
International Industries Limited	-	169,000	162,000	7,000	1,577	1,626	49	0.03%	0.10%
Mughal Iron & Steel Industries Limited									
- a related party	-	73,500	73,000	500	30	31	1	0.00%	0.00%
					2,500	2,572	72	0.05%	0.15%

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

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

Name of investee company	Number of shares			Balance as at June 30, 2018			Market Value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company	
	As at July 01, 2017	Purchased during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of		As a percentage of
								net assets		total investments
(Rupees in '000) %										
<b>Textile composite</b>										
Nishat Mills Limited - a related party	51,500	1,029,000	1,067,000	13,500	1,917	1,902	(15)	0.04%	0.11%	0.00%
Nishat (Chunian) Limited - a related party	252,000	3,857,000	4,075,000	34,000	1,652	1,614	(38)	0.03%	0.10%	0.01%
Gul Ahmed Textile Mills Limited	-	457,500	457,500	-	-	-	-	0.00%	0.00%	0.00%
					3,569	3,516	(53)	0.07%	0.21%	0.01%
<b>Insurance</b>										
Adamjee Insurance Company Limited	-	84,000	77,000	7,000	351	341	(10)	0.01%	0.02%	0.00%
- a related party					351	341	(10)	0.01%	0.02%	0.00%
<b>Transport</b>										
Pakistan International Bulk Terminal Limited	-	3,777,500	3,176,000	601,500	6,780	6,827	47	0.14%	0.41%	0.04%
					6,780	6,827	47	0.14%	0.41%	0.04%
<b>Automobile parts and accessories</b>										
Loads Limited	-	237,000	204,000	33,000	1,057	1,029	(28)	0.02%	0.06%	0.02%
					1,057	1,029	(28)	0.02%	0.06%	0.02%
<b>Chemical</b>										
Descon Oxychem Limited	-	2,429,500	2,145,000	284,500	5,572	5,490	(82)	0.11%	0.33%	0.28%
Engro Polymer and Chemicals Limited	-	3,651,500	3,618,000	33,500	1,087	1,051	(36)	0.02%	0.06%	0.01%
Lotte Chemical Pakistan Limited	-	26,065,500	24,793,000	1,272,500	15,047	15,219	172	0.31%	0.90%	0.08%
					21,706	21,760	54	0.44%	1.29%	0.37%
<b>Glass and ceramics</b>										
Shabbir Tiles and Ceramics Limited **	-	80,000	52,000	28,000	617	590	(27)	0.01%	0.04%	0.02%
					617	590	(27)	0.01%	0.04%	0.02%
<b>Miscellaneous</b>										
Siddiqsons Tin Plate Limited	-	20,000	20,000	-	-	-	-	0.00%	0.00%	0.00%
					-	-	-	0.00%	0.00%	0.00%
<b>Total as at June 30, 2018</b>					118,378	117,007	(1,371)			
Total as at June 30, 2017					293,297	287,648	(5,649)			

\* These have a face value of Rs.3.5 per share

\*\* These have a face value of Rs.5 per share

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

## 6.3 Listed debt securities - Term Finance Certificates (TFCs) - 'at fair value through profit or loss - held-for-trading' (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates			Balance as at June 30, 2018			Market value	
	As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
<b>Commercial banks</b>								
Bank Alfalah Limited-V (February 20, 2013)	72,631	-	7,050	65,581	336,591	329,090	6.75%	19.51%
Faysal Bank Limited (December 27, 2010)	10,000	-	10,000	-	-	-	0.00%	0.00%
Habib Bank Limited - TFC I* (February 19, 2016)	3,500	-	3,500	-	-	-	0.00%	0.00%
The Bank of Punjab Limited - TFC I* (December 23, 2016)	-	550	-	550	54,967	53,936	1.11%	3.20%
					<b>391,558</b>	<b>383,026</b>	<b>7.86%</b>	<b>22.71%</b>
<b>Financial services</b>								
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	10,000	27,548	-	-	-
Less: Provision for impairment (see note 6.4.1)					(27,548)	-	-	-
					<b>391,558</b>	<b>383,026</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total as at June 30, 2018</b>								
Total as at June 30, 2017						732,965	736,400	3,435

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

## 6.4 Unlisted debt securities - Term Finance Certificates (TFCs) and Sukuks - 'at fair value through profit or loss - held-for-trading' (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates			Balance as at June 30, 2018			Market value	
	As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
<b>Commercial banks</b>								
Askari Bank Limited IV - TFC (September 30, 2014)	56,000	19,000	36,000	39,000	197,429	194,801	4.00%	11.55%
Bank Alfalah Limited - TFC (December 02, 2009)	40,250	-	40,250	-	-	-	0.00%	0.00%
Bank Alfalah Limited - TFC (December 02, 2009) Fixed	18,235	-	18,235	-	-	-	0.00%	0.00%
Bank ALHabib Limited - TFC II (March 17, 2016)	43,500	29,000	20,000	52,500	264,880	261,906	5.38%	15.52%
Standard Chartered Bank (Pakistan) Limited - TFC (June 29, 2012)	37,000	-	37,000	-	-	-	0.00%	0.00%
					<b>462,309</b>	<b>456,707</b>	<b>9.38%</b>	<b>27.07%</b>
<b>Chemical</b>								
Ghani Gases Limited - Sukuk* (February 02, 2017)	500	-	-	500	39,979	39,548	0.81%	2.34%
<b>Fertilizer</b>								
Engro Fertilizers Limited - Sukuk (July 09, 2014)	15,800	-	-	15,800	42,993	41,890	0.86%	2.48%

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

Particulars	Number of certificates			Balance as at June 30, 2018				Market value	
	As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018	Carrying value	Market value (Rupees in '000)	Unrealised (loss) / gain	As a percentage of net assets	As a percentage of total investments
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017)	-	3,500	-	3,500	350,000	350,700	700	7.20%	20.79%
Dawood Hercules Corporation Limited - Sukuk (March 18, 2018)	-	1,000	-	1,000	100,000	100,065	65	2.05%	5.93%
Investment bank									
Jahangir Siddiqui & Co. Ltd. - TFC (March 06, 2018)	-	10,000	-	10,000	50,000	50,036	36	1.03%	2.97%
Financial services									
Security Leasing Corporation Limited - TFC (March 13, 2008) - see note 6.4.2	10,000	-	10,000	-	-	-	-	0.00%	0.00%
Security Leasing Corporation Limited - Sukuk (June 01, 2007) - see note 6.4.2	5,000	-	5,000	-	-	-	-	0.00%	0.00%
Household goods									
New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007)	10,400	-	-	10,400	22,337 (22,337)	-	-	0.00%	0.00%
Less: Provision for impairment (see note 6.4.1)									
New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007)	112,000	-	-	112,000	35,063 (35,063)	-	-	0.00%	0.00%
Less: Provision for impairment (see note 6.4.1)									
Total as at June 30, 2018					1,045,281	1,038,946	(6,335)	-	-
Total as at June 30, 2017					902,439	903,393	954		

\* Nominal value of this sukuk certificate is Rs. 100,000 per certificate.

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

**6.4.2** In 2014, Security Leasing Corporation Limited (SLCL) defaulted in payments due on Jul 19, 2014 as per revised restructuring agreement schedule and accordingly, the exposure of the Fund in TFC and Sukuk was fully provided in accordance with Circular no. 33 of 2012. Further SLCL requested vide letter dated April 07, 2016 for full and final settlement at 10% of the outstanding exposure and accordingly, the Fund has received Rs.0.77 million and Rs.0.64 million during the year as full and final settlement against the said term finance certificate and sukuk respectively.

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

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

Name of security	Number of certificates	Face value per unit	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
<b>Listed debt securities</b>							
Bank Alfalah Limited V - TFC	65,581	5,000	4,990	6M KIBOR+1.25%	February 20, 2021	Unsecured	AA
The Bank of Punjab Limited - TFC	550	100,000	99,940	6M KIBOR+1%	December 23, 2026	Unsecured	AA-
<b>Unlisted debt securities</b>							
Askari Bank Limited IV - TFC	39,000	5,000	4,993	6M KIBOR+1.2%	September 30, 2024	Unsecured	AA-
Bank ALHabib Limited - TFC II	52,500	5,000	4,996	6M KIBOR+0.75%	March 17, 2026	Unsecured	AA
Engro Fertilizers Limited - Sukuk	15,800	5,000	2,625	6M KIBOR+1.75%	July 9, 2019	Secured	AA-
Ghani Gases Limited - Sukuk	500	100,000	79,167	6M KIBOR+1%	February 2, 2023	Unsecured	A
Dawood Hercules Corporation Limited - Sukuk	3,500	100,000	100,000	3M KIBOR+1%	June 3, 2021	Unsecured	AA
Dawood Hercules Corporation Limited - Sukuk	1,000	100,000	100,000	3M KIBOR+1%	September 18, 2021	Unsecured	AA
Jahangir Siddiqui & Co. Ltd. - TFC	10,000	5,000	5,000	6M KIBOR+1.4%	March 6, 2023	Secured	AA+

The term finance certificates and sukuk held by the Fund are generally secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

## 6.4.4 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2018, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
<b>Listed debt securities</b>						
Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	0.00%	0.00%
<b>Unlisted debt securities</b>						
New Allied Electronics Industries (Private) Limited	TFC	22,337	(22,337)	-	0.00%	0.00%
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	0.00%	0.00%



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

	June 30, 2018	June 30, 2017
	-----	-----
	(Rupees in '000)	(Rupees in '000)
	1,686,288	2,179,309
	1,703,573	2,177,962
	(17,285)	1,347

Note

6.1 to 6.4

6.4.5 Net unrealised (loss) / gain on re-measurement of investments classified as 'at fair value through profit or loss - held-for-trading'

Market value of investments

Less: Carrying value of investments

6.5 Pakistan investment bonds - 'available-for-sale'

Name of security	Note	Date of issue	Face value			As at June 30, 2018			Market value	
			As at July 01, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018	Carrying Value	Market value	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)										
Pakistan Investment Bonds - 05 years	6.5.1	March 26, 2015	500	-	-	500	516	513	1.05%	0.03%
	6.5.2	July 18, 2013	200	200	200	200	204	200	0.41%	0.01%
<b>Total as at June 30, 2018</b>							<b>720</b>	<b>713</b>		
Total as at June 30, 2017							740	746		

6.5.1 This will mature latest by March 26, 2020 (2017: March 26, 2020) and carries interest at the rate of 9.25% (2017: 9.25%) per annum.

6.5.2 This will mature latest by July 18, 2018 (2017: July 18, 2018) and carries interest at the rate of 11.50% (2017: 11.50%) per annum.

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

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>7. MARK-UP, DIVIDEND AND OTHER RECEIVABLES</b>			
Mark-up on:			
- Pakistan investment bonds		23	23
- Term finance certificates		52,807	59,551
- Deposit accounts		16,979	27,763
- Margin trading system (MTS)		37	1,106
- Term deposit receipt		-	3,400
Dividend receivable		685	1,208
Other receivables		50	-
		<u>70,581</u>	<u>93,051</u>
Less: Provision for impairment		<u>(25,843)</u>	<u>(25,843)</u>
		<u>44,738</u>	<u>67,208</u>
<b>8. ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Security deposits / margin with:			
- National Clearing Company of Pakistan Limited (NCCPL)	8.1	17,750	17,750
- Central Depository Company of Pakistan Limited (CDC)	8.2	200	200
Exposure deposit with National Clearing Company Pakistan Limited (NCCPL) against MTS		37,695	8,808
Advance against subscription of Privately Placed Term Finance Certificates (PPTFCs)	8.3	85,000	-
Prepaid stability rating fee - PACRA		-	152
Advance tax		1,603	1,290
		<u>142,248</u>	<u>28,200</u>
<b>8.1</b>	This includes a deposit of Rs.2.75 (2017: Rs.2.75) million and a margin of Rs.15 (2017: Rs.15) million with NCCPL in respect of trading of listed securities.		
<b>8.2</b>	This represents deposit with CDC on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.		
<b>8.3</b>	This represents advance against subscription of PPTFCs of The Bank of Punjab Limited, having tenor of 10 years from April 13, 2018 and carrying mark-up at the rate of 1.25% plus 6 months KIBOR.		
<b>9. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable	9.1	5,638	6,778
Sales tax on remuneration payable	9.2	733	881
Expenses allocated by the Management Company	9.3	376	525
Sales load payable		364	85
Back load payable		27	-
		<u>7,138</u>	<u>8,269</u>

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

- 9.1** The Management Company has charged remuneration at the rate of 1.5% (2017: 1.5%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 9.2** Sales tax on management remuneration has been charged at the rate of 13% (2017: 13%).
- 9.3** As per regulation 60(3)(s) of amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets with effect from November 25, 2015, being lower.

### **10. PAYABLE TO THE TRUSTEE**

Remuneration payable	10.1	390	498
Sales tax on remuneration payable	10.2	51	65
		<u>441</u>	<u>563</u>

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

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

- 10.2** Sales tax on remuneration of the Trustee has been charged at the rate of 13% (2017: 13%).

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

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (2017: 0.075%) of the average daily net assets of the Fund.

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>12. ACCRUED AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	21,737	16,724
Federal Excise Duty on remuneration to the Management Company	12.2	99,060	99,060
Federal Excise Duty and related taxes payable on sales load		27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		6	239
Auditors' remuneration		505	609
Withholding tax payable		241	18,809
Brokerage payable		887	3,578
Others		2,689	2,083
		<u>153,058</u>	<u>169,035</u>

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

### 12.1 Provision for Sindh Workers' Welfare Fund (SWWF)

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.50 (2017: Re.0.29) per unit.

### 12.2 Federal Excise Duty on remuneration to the Management Company

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

On September 4, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2018 aggregates to Rs.99.06 (2017: Rs.99.06) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Rs.2.26 (2017: Rs.1.70) per unit.

## 13. CONTINGENCIES AND COMMITMENTS

### 13.1 CONTINGENCIES

There were no contingencies as at June 30, 2018 and June 30, 2017.

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

June 30, June 30,  
2018 2017  
----- (Rupees in '000) -----

## 13.2 COMMITMENTS

Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at year end

	116,691	292,559
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Margin Trading System (MTS) transactions entered into by the Fund which have not been settled as at year end:

- Purchase transactions
- Sale transactions

-	110,247	
949		16,689

## 14. AUDITORS' REMUNERATION

Annual audit fee  
Half yearly review fee  
Other certifications and services

350	350	
189	180	
100	150	
639	680	
51	54	
67	88	
757		822

## 15. TAXATION

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

## 16. CASH AND CASH EQUIVALENTS

Balances with banks  
Treasury bills maturing within 3 months  
Term deposit receipts

2,944,793	3,458,357	
148,366	-	
-	785,000	
3,093,159		4,243,357

**17. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES**

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owning directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

Transactions with connected persons essentially comprise sale and redemption of units, fee on account of managing the affairs of the Fund, other charges, sale and purchase of investments and distribution payments to connected persons. The transactions with connected persons are in the normal course of business, at contracted rates and at terms determined in accordance with market rates.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations and constitutive documents of the Fund respectively.

Details of transactions and balances at year end with related parties / connected persons, other than those which have been disclosed elsewhere in these financial statements, are as follows:

## 17.1 Unit Holders' Fund

	June 30, 2018								
	As at July 01, 2017	Issued for cash	Units	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018
								(Rupees in '000)	
Group / associated companies									
MCB Employees' Provident Fund	1,255,728	-	-	-	1,255,728	133,646	-	-	139,814
MCB Employees' Pension Fund	1,255,728	-	-	-	1,255,728	133,646	-	-	139,814
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	3,777	-	-	-	3,777	402	-	-	421
Adamjee Life Assurance Company Limited - Employees' Gratuity Fund	27,549	-	-	27,549	-	2,932	-	3,067	-
Adamjee Insurance Company Limited - Employees' Gratuity Fund	-	166,862	-	-	166,862	-	18,574	-	18,579
Mandate under discretionary portfolio services	331,381	2,085,856	331,382	2,085,855	35,269	232,188	35,990	232,242	
Key management personnel	-	5	5	-	-	-	575	560	-

## June 30, 2017

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

	June 30, 2018	June 30, 2017
<b>17.2 Transactions during the year:</b>	----- (Rupees in '000) -----	
<b>Management Company</b>		
<b>MCB Arif Habib Savings and Investment Limited</b>		
Remuneration (including indirect taxes)	92,974	109,811
Expense allocated by the Management Company and related taxes	6,198	7,730
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration (including indirect taxes)	6,129	7,218
Settlement charges	1,691	2,284
<b>Group / associated companies</b>		
<b>MCB Bank Limited</b>		
Mark-up on deposit accounts	161	162
Bank charges	47	26
<b>Silk Bank Limited</b>		
Purchase of Government securities having face value of Rs.Nil (2017: Rs.100,000,000)	-	105,494
Sale of Government securities having face value of Rs.Nil (2017: Rs.800,000,000)	-	826,805
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage and settlement charges *	8	49
<b>Next Capital Limited - Brokerage House</b>		
Brokerage and settlement charges *	410	292
<b>Fatima Fertilizer Company Limited</b>		
Purchase of 8,500 (2017: 3,195,500) shares	270	109,440
Sale of 8,500 (2017: 3,195,500) shares	272	110,181
Dividend income		25
<b>Aisha Steel Mills Limited</b>		
Purchase of 1,877,000 (2017:Nil) shares	39,328	-
Sale of 1,877,000 (2017: Nil) shares	39,584	-
<b>Adamjee Insurance Company Limited</b>		
Purchase of 84,000 (2017: 1,102,000) shares	4,795	64,327
Sale of 77,000 (2017: 1,102,000) shares	4,484	64,762
Dividend Income	6	-

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

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>Nishat (Chunian) Limited</b>		
Purchase of 3,857,000 (2017: 14,250,000) shares	203,373	826,046
Sale of 4,075,000 (2017: 13,998,000) shares	201,943	810,371
Dividend Income	930	8,574
<b>D.G. Khan Cement Company Limited</b>		
Purchase of 5,088,000 (2017: 3,798,000) shares	733,975	811,584
Sale of 5,063,000 (2017: 3,791,000) shares	716,878	811,918
Dividend income	18,094	1,536
	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>Nishat Mills Limited</b>		
Purchase of 1,029,000 (2017: 3,802,500) shares	149,025	621,794
Sale of 1,067,000 (2017: 3,751,000) shares	146,999	615,795
Dividend income	1,050	1,270
<b>Power Cement Limited</b>		
Purchase of 40,000 (2017: 603,500) shares	355	6,874
Sale of 40,000 (2017: 603,500) shares	357	6,928
<b>Mughal Iron &amp; Steel Industries Limited</b>		
Purchase of 73,500 (2017: Nil) shares	5,325	-
Sale of 73,000 (2017: Nil) shares	5,340	-
	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>17.3 Balances outstanding at year end:</b>		
<b>Management Company</b>		
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration payable	5,638	6,778
Sales tax payable on remuneration payable	733	881
Sales load payable	322	75
Sales tax payable on sales load	42	10
Back End Load Payable	27	-
Expense allocated by the Management Company	376	525
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	200	200
Remuneration payable (including indirect taxes)	441	563

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

	June 30, 2018	June 30, 2017
<b>Group / associated companies</b>	----- (Rupees in '000) -----	
<b>MCB Bank Limited</b>		
Balances with bank**	3,242	4,936
Sales load payable	6	239
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage and settlement charges payable*	-	26
<b>Next Capital Limited - Brokerage House</b>		
Brokerage and settlement charges payable*	136	79
<b>Nishat (Chunian) Limited</b>		
34,000 (2017: 252,000) shares held	1,614	12,933
<b>D.G. Khan Cement Company Limited</b>		
25,000 (2017: 7,000) shares held	2,862	1,492
<b>Nishat Mills Limited</b>		
13,500 (2017: 51,500) shares held	1,902	8,172
<b>Mughal Iron &amp; Steel Industries Limited</b>		
500 (2017: Nil) shares held	31	-
<b>Adamjee Insurance Company Limited</b>		
7,000 (2017: Nil) shares held	341	-

\* The amount disclosed represents the amount of brokerage paid / payable 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.

\*\* This represents balances held in deposit accounts carrying mark-up at the rate of 3.75% (2017: 3.75%) per annum.

### 18. 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, profit rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mention risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund primarily invests in a portfolio of money market investments such as investment-grade debt securities, Government securities, listed securities future transactions classified at 'fair value through profit or loss - held-for-trading'. The Fund also has dividend, mark-up, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to the Management Company, the Trustee, payable against redemption of units and accrued and other liabilities.

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

### 18.1 Market risk

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

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

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

#### 18.1.1 Currency risk

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

#### 18.1.2 Interest rate risk

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

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

Presently, the Fund holds KIBOR based interest bearing term finance and sukuk certificates exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates and sukuks, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.15.07 (2017: Rs.18.85) million.

The Fund is also exposed to mark-up rate risk on bank deposits. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would be higher / lower by Rs.29.45 (2017: Rs.34.58) million.

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

As at June 30, 2018, the Fund holds Market treasury bills and Pakistan investment bonds which are classified 'at fair value through profit or loss - held-for-trading' and 'available-for-sale', respectively, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2018, with all other variables held constant, total comprehensive income for the year and net assets would be lower / higher by Rs.1.49 (2017: Rs.2.50) million.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

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

June 30, 2018

## Exposed to yield / interest rate risk

	Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to profit rate risk	Total
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Balances with banks	3.75 - 9.50	2,944,793	-	-	-	2,944,793
Investments classified as:						
At fair value through profit or loss - held-for-trading						
- Government securities - Market treasury bills	6.7	148,366	-	-	-	148,366
- Listed debt securities	6M KIBOR+1% to 6M KIBOR+1.25%	-	-	383,026	-	383,026
- Unlisted debt securities	6M KIBOR+0.75% to 6M KIBOR+1.75%	-	-	1,038,946	-	1,038,946
- Listed equity securities		-	-	-	117,007	117,007
- Future stock contracts		-	-	-	(1,057)	(1,057)
Available-for-sale						
- Government securities - Pakistan investment bonds	9.25 - 11.50	-	-	713	-	713
		148,366	-	1,422,685	115,950	1,687,001
Mark-up, dividend and other receivables		-	-	-	44,738	44,738
Receivable against sale of investments		-	-	-	221,310	221,310
Receivable against margin trading system (MTS)		-	-	-	1,893	1,893
Deposits and prepayments		-	-	-	55,645	55,645
		3,093,159	-	1,422,685	439,536	4,955,380
<b>Financial Liabilities</b>						
Payable to the Management Company		-	-	-	6,405	6,405
Payable to the Trustee		-	-	-	390	390
Payable against redemption of units		-	-	-	4,739	4,739
Accrued and other liabilities		-	-	-	1,537	1,537
		-	-	-	13,071	13,071
<b>On-balance sheet gap</b>						
		3,093,159	-	1,422,685	426,465	4,942,309

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

June 30, 2017

## Exposed to Yield/ Interest rate risk

	Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to profit rate risk	Total
		(Rupees in '000)				
On-balance sheet financial instruments						
Financial Assets						
Balances with banks	3.75 - 8	3,458,357	-	-	-	3,458,357
Investments classified:						
At fair value through profit or loss - held-for-trading						
- Government securities - Market treasury bills	5.85	249,225	-	-	-	249,225
- Listed debt securities	6M KIBOR+0.5% to 6M KIBOR+2.25%	-	-	736,400	-	736,400
- Unlisted debt securities	6M KIBOR+0.75% to 15%	-	-	903,393	-	903,393
- Listed equity securities		-	-	-	287,648	287,648
- Future stock contracts		-	-	-	2,643	2,643
Available-for-sale						
- Government securities - Pakistan investment bonds	9.25 - 11.50	-	-	746	-	746
Loans and Receivables						
- Term Deposit Receipts	6.5 - 6.75	785,000	-	-	-	785,000
		1,034,225	-	1,640,539	290,291	2,965,055
Mark-up, dividend and other receivables		-	-	-	67,208	76,016
Receivable against margin trading system (MTS)		-	-	-	69,112	76,016
Deposits and prepayments		-	-	-	26,758	17,950
		4,492,582	-	1,640,539	453,369	6,593,394
Financial Liabilities						
Payable to the Management Company		-	-	-	7,388	7,388
Payable to the Trustee		-	-	-	498	498
Payable against redemption of units		-	-	-	18,964	18,964
Payable against purchase of investments		-	-	-	196,209	196,209
Accrued and other liabilities		-	-	-	5,566	5,566
		-	-	-	228,625	228,625
		4,492,582	-	1,640,539	224,744	6,364,769

### 18.1.3 Other price risk

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

In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2018, the net assets of the Fund would increase / decrease by Rs.19.15 (2017: Rs.36.82) million, as a result of reduction / increase in unrealized gains / (losses).

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

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 6.2.

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

	June 30, 2018	June 30, 2017
	---- (Rupees in '000) ----	
Investment and net assets	5,850	14,382
Income statement	5,850	14,382

### 18.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counterparty credit risks on investment in term finance certificates and sukuks, loans and receivables, and balances with bank. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Treasury bills and Pakistan Investment Bonds are government backed and hence considered as secured.

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2018 and June 30, 2017 is the carrying amounts of following financial assets.

	June 30, 2018	June 30, 2017
	---- (Rupees in '000) ----	
Balances with banks	2,944,793	3,458,357
Investments	1,421,972	2,424,793
Mark-up, dividend and other receivables	44,738	67,208
Receivable against sale of investments	221,310	-
Receivable against margin trading system (MTS)	1,893	69,112
Advances, deposits and prepayments	55,645	26,758
	4,690,351	6,046,228



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

The analysis below summarizes the credit rating quality of the Fund's financial assets as at June 30, 2018 and June 30, 2017.

Bank balances by rating category	----- % -----	
A- / A2	56.87%	0.00%
AAA / A1+	13.52%	0.22%
A / A2	11.10%	0.00%
A+ / A1	11.09%	9.45%
AA+ / A1+	4.02%	66.84%
AA- / A1	3.40%	0.00%
A+ / A2	0.00%	9.54%
AA- / A1+	0.00%	9.25%
A / A1	0.00%	4.70%
AA / A1+	0.00%	0.00%
	100%	100%

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates, sukuks, term deposit receipts and Government securities as at June 30, 2018 and June 30, 2017:

Investments by rating category	----- % -----	
Government securities	9.49%	9.35%
AAA, AAA-, AAA+	0.00%	42.85%
AA, AA-, AA+	87.99%	45.99%
A, A-, A+	2.52%	1.81%

### Investment in fixed income securities

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

### Receivables against sale of units

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

### Advances and deposits

Deposits are placed with NCCPL and CDC for the purpose of effecting transaction and settlement of listed securities. It is expected that all securities deposited with NCCPL and CDC will be clearly identified as being assets of the Fund, hence, the 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.

### 18.3 Liquidity risk

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

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

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

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

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

**June 30, 2018**

	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to the Management Company	6,405	6,405	-	-
Payable to the Trustee	390	390	-	-
Payable against redemption of units	4,739	4,739	-	-
Accrued and other liabilities	1,537	887	650	-
	<b>13,071</b>	<b>12,421</b>	<b>650</b>	<b>-</b>

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

June 30, 2017				
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to the Management Company	7,388	7,388	-	-
Payable to the Trustee	498	498	-	-
Payable against redemption of units	18,964	18,964	-	-
Payable against purchase of investments	196,209	196,209	-	-
Accrued and other liabilities	5,566	3,578	1,988	-
	228,625	226,637	1,988	-

## 18.4 Financial instruments by category

June 30, 2018				
	Available-for-sale	At fair value through profit or loss - held-for-trading	Loans and Receivables	Total
	----- (Rupees in '000) -----			
<b>Assets</b>				
Balances with banks	-	-	2,944,793	2,944,793
Investments	713	1,686,288	-	1,687,001
Mark-up, dividend and other receivables	-	-	44,738	44,738
Receivable against sale of investments	-	-	221,310	221,310
Receivable against margin trading system (MTS)	-	-	1,893	1,893
Deposits and prepayments	-	-	55,645	55,645
	713	1,686,288	3,268,379	4,955,380

June 30, 2018			
	At fair value through profit or loss - held-for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	6,405	6,405
Payable to the Trustee	-	390	390
Payable against redemption of units	-	4,739	4,739
Accrued and other liabilities	-	1,537	1,537
	-	13,071	13,071

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

	June 30, 2017			
	At fair value through profit or loss - held-for- trading			
	Available-for- sale	Loans and Receivables		Total
	----- (Rupees in '000) -----			
<b>Assets</b>				
Balances with banks	-	-	3,458,357	3,458,357
Investments	746	2,179,309	785,000	2,964,309
Mark-up, dividend and other receivables	-	-	76,016	76,016
Receivable against margin trading system (MTS)	-	-	69,112	69,112
Deposits and prepayments	-	-	26,758	26,758
	746	2,179,309	4,415,243	6,594,552

	June 30, 2017			
	At fair value through profit or loss - held-for- trading			
		Other financial liabilities		Total
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to the Management Company	-	7,388		7,388
Payable to the Trustee	-	498		498
Payable against redemption of units	-	18,964		18,964
Payable against purchase of investments	-	196,209		196,209
Accrued and other liabilities	-	5,566		5,566
	-	228,625		228,625

## 19. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

## June 30, 2018

**MCB DCF INCOME FUND**

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

	June 30, 2017							
	Carrying amount			Fair value				
	Fair value through profit or loss - held- for-trading	Available-for- sale	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
				(Rupees in '000)				
<b>Financial assets measured at fair value</b>								
Market treasury bills	249,225	-	-	249,225	-	249,225	-	249,225
Pakistan investment bonds	-	746	-	746	-	746	-	746
Listed equity securities	287,648	-	-	287,648	287,648	-	-	287,648
Listed debt securities	736,400	-	-	736,400	-	736,400	-	736,400
Unlisted debt securities	903,393	-	-	903,393	-	903,393	-	903,393
Future stock contracts	2,643	-	-	2,643	2,643	-	-	2,643
	2,179,309	746	-	2,180,055	290,291	1,889,764	-	2,180,055
<b>Financial assets not measured at fair value</b>								
Balances with banks	-	-	3,458,357	3,458,357				
Investments	-	-	785,000	785,000				
Mark-up, dividend and other receivables	-	-	76,016	76,016				
Receivable against margin trading system (MTS)	-	-	69,112	69,112				
Deposits and prepayments	-	-	26,758	26,758				
	-	-	4,415,243	4,415,243				
<b>Financial liabilities not measured at fair value</b>								
Payable to the Management Company	-	-	7,388	7,388				
Payable to the Trustee	-	-	498	498				
Payable against redemption of units	-	-	18,964	18,964				
Payable against purchase of investments	-	-	196,209	196,209				
Accrued and other liabilities	-	-	5,566	5,566				
	-	-	228,625	228,625				

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

## 20.1 Valuation techniques used in determination of fair values within level 2:

**20.1.1** Fair values of Market Treasury Bills and Pakistan Investment Bonds are derived using PKRV rates (Reuters page).  
**20.1.2** Investments in sukuk / term finance certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the SECP.

**20.2** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

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

### 21. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

#### 21.1 Pattern of unit holding

##### Details of pattern of unit holding

	Number of unit holders	Number of units held	June 30, 2018	
			Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	2,381	28,435,002	3,165,987	65.00%
Associated companies / Directors	5	3,017,389	335,960	6.90%
Banks / DFIs	1	221,750	24,690	0.50%
Retirement funds	35	3,845,296	428,140	8.80%
Others	64	8,242,386	917,716	18.80%
	<b>2,486</b>	<b>43,761,823</b>	<b>4,872,493</b>	<b>100%</b>

	Number of unit holders	Number of units held	June 30, 2017	
			Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	2,625	36,401,532	3,874,663	62.60%
Associated companies / Directors	4	2,542,783	270,660	4.37%
Banks / DFIs	1	231,668	24,659	0.40%
Retirement funds	25	2,116,071	225,239	3.64%
Public limited companies	4	6,272,862	667,698	10.79%
Others	52	10,593,463	1,126,842	18.20%
	<b>2,711</b>	<b>58,158,379</b>	<b>6,189,761</b>	<b>100%</b>

#### 21.2 Top ten brokers / dealers by percentage of commission paid

Details of commission paid by the fund to top ten brokers by percentage during the year are as follows:

	June 30, 2018 (Percentage)
1 Adam Securities (Private) Limited	23.74%
2 Mutiline Securities (Private) Limited	22.62%
3 Aba Ali Habib Securities Limited	8.15%
4 MRA Securities Limited	8.12%
5 Al Falah Securities (Private) Limited	5.84%
6 Next Capital Limited	5.32%
7 Top Line Securities (Private) Limited	5.06%
8 Efg Hermes Pakistan Limited	4.28%
9 Intermarket Securities Limited	3.91%
10 First Capital Securities Limited	3.74%



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

		June 30, 2017 (Percentage)
1	Adam Securities (Private) Limited	18.70%
2	Invest Capital Markets Limited	15.85%
3	JS Global Capital Limited	10.54%
4	Invest and Finance Securities Limited	9.95%
5	Axis Global Limited	7.02%
6	Intermarket Securities Limited	6.60%
7	Top Line Securities (Private) Limited	4.71%
8	BMA Capital Management Limited	3.28%
9	Invest One Markets (Private) Limited	2.28%
10	C and M Management (Private) Limited	2.19%

### 21.3 Attendance at meetings of the Board of Directors

During the year, 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd Board meetings were held on July 06, 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 Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mr. Mian Muhammad Mansha	9	4	5	134th, 135th, 136th, 138th, 142nd
Mr. Nasim Beg	9	9	-	-
Mr. Ahmed Jahangir	9	9	-	-
Mr. Mirza Qamar Beg	9	7	2	138th, 142nd
Mr. Syed Salman Shah	9	7	2	134th, 138th
Mr. Haroon Rashid	9	6	3	135th, 136th, 142nd
Mr. Samad A. Habib	9	5	4	134th, 136th, 138th, 139th
Mr. Muhammad Saqib Saleem	9	9	-	-

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

### 21.4 Particulars of investment committee and fund manager

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

Name	Designation	Qualification	Experience in years 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 Muhammad Usama	Manager – Fixed Income	B-COM, Master & Economic - I	15
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	7

### 21.5 Other funds managed by the fund manager

#### Mr. Saad Ahmed

Mr. Saad Ahmed is the Manager of the Fund as at year end. He has obtained a Masters degree in Business Administration. Other funds being managed by him are as follows:

- MCB Cash Management Optimizer Fund;
- MCB Pakistan Sovereign Fund
- Pakistan Cash Management Fund;
- Pakistan Income Enhancement Fund; and
- Alhamra Daily Dividend Fund.

### 22. NON-ADJUSTING EVENTS AFTER THE BALANCE SHEET DATE

The Board of Directors of the Management Company on July 04, 2018 approved a final distribution of Rs.4.8783 per unit on the face value of Rs.100 each (i.e. 4.58%) amounting to Rs.213.48 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

### 23. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 2.45% as on June 30, 2018 (2017: 2.43%) and this includes 0.39% (2017: 0.44%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

### 24. GENERAL

**24.1** Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

**24.2** Certain prior year's figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report.

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

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### 25. DATE OF AUTHORISATION FOR ISSUE

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

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF 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>
1897	0-10000	4,613,425
531	10001 - 100000	13,520,036
54	100001 - 1000000	16,473,147
4	1000001 - Onwards	9,155,215
<u>2486</u>		<u>43,761,823</u>

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

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	4,872	6,190	6,848.67	11,272.81	11,101.99
Net Assets value per unit – Rupees	111.3412	106.4294	106.0443	105.6002	101.1030
Closing Offer Price	113.2284	108.2334	108.1904	107.7564	103.1857
Closing Repurchase Price	111.3412	106.4294	106.0443	105.6002	101.1030
Highest offer price per unit	113.3493	114.7823	114.3514	116.2595	107.0667
Lowest offer price per unit	108.2995	107.6412	107.8195	103.1938	101.1137
Highest Redemption price per unit	111.3412	112.8692	112.0831	113.9331	104.9057
Lowest Redemption price per unit	105.0384	105.8159	105.6808	101.1289	100.9919
Distribution per unit – Rs. *	-	6.50	6.15	8.27	13.05
<b>Average Annual Return - %</b>					
One year	4.62	6.50	6.23	12.64	10.79
Two year	5.56	6.37	9.44	11.72	10.30
Three year (inception date Mar 01, 2007)	5.78	8.46	9.89	11.08	10.46
Net Income for the year – Rs. in million	245.63	289.032	414.66	1,104.77	1,091.30
Distribution made during the year – Rs. in million	-	259.451	365.80	727.46	1,372.22
Accumulated Capital Growth – Rs. in million	245.63	29.58	48.86	377.31	(280.92)
Weighted average Portfolio Duration (years)	1.4	1.6	2.8	2.2	1.6

\* Date of Distribution

2017	
Date	Rate
June 21, 2017	6.50

2016	
Date	Rate
June 27, 2016	6.15

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

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

### Disclaimer

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

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

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