



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY AKORA

ANNUAL REPORT 2018

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

MCB PAKISTAN SOVEREIGN FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan	
Auditors	Ernst & Young Ford Rhodes Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Sovereign 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 5.08% as against its benchmark return of 5.74%. At period-end, the fund decreased its exposure in cash to 52.0% from 56.1%.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 585 million as compared to Rs. 1,351 million as at June 30, 2017 registering a decline of 56.70%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 55.83 as compared to opening NAV of Rs. 53.13 per unit as at June 30, 2017 registering an increase of Rs. 2.70 per unit.

FUTURE OUTLOOK

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

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

Corporate Governance

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

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

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

1. Meeting of the Audit Committee.

During the year, nine (9) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid	9	9	6	3
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	7	2
4. Mr. Mirza Qamar Beg	9	9	7	2

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

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

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

EXTERNAL AUDITORS

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

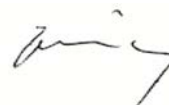
ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 14, 2018



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

2. ہیومن ریسورس اینڈ ریموونیشن کمیٹی کی میٹنگ

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

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

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 ”ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ چارٹرڈ اکاؤنٹنٹس کی تقرری کی گئی ہے۔ ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس 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، سیکورٹیز 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

ڈائریکٹرز رپورٹ

- 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 (اسٹبلشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ڈسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور 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 شہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن منجمنٹ 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 ہونے والے 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
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
3	6	9	9	1. جناب ہارون رشید
-	9	9	9	2. جناب احمد جہانگیر
2	7	9	9	3. جناب نسیم بیگ
2	7	9	9	4. مرزا محمد قمر بیگ

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.08% تھا جبکہ مقررہ معیار 5.74% تھا۔ اختتام مدت پر فنڈ کی نقد میں شمولیت کو 56.1% سے کم کر کے 52.0% کر دیا گیا۔

30 جون 2018ء کو فنڈ کے net اثاثہ جات 585 ملین روپے تھے، جو 30 جون 2017ء کو 1,351 ملین روپے کے مقابلے میں 56.70% کم ہے۔

30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 55.83 روپے تھی، جو 30 جون 2017ء کو 53.13 روپے ابتدائی NAV کے مقابلے میں 2.70 روپے فی یونٹ اضافہ ہے۔

مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کچھ ترقیاتی پالیسی کاراج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے اُمید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد نا پسندیدہ 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 فراڈ ز میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹرز پر مشتمل بورڈ مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق کی بہترین طریقوں سے متعلق شقوق کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے لئے پُر عزم ہے جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

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

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

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے سی ایم سی بی پاکستان Sovereign 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 ایم اینسٹی 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، ریٹیل 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۔ میچورٹی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹریٹ بانڈ کی سب سے پہلی نیلامی میں 174 بلین روپے کی بھرپور شرکت دیکھی گئی جس میں سے 20 بلین روپے پنچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی۔ زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سگک کا اجراء نہیں کیا گیا۔

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

Fund Type and Category

MCB Pakistan Sovereign Fund (MSF) is an open end fund, which invests in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Fund Benchmark

The benchmark for MSF is 6 month PKRV rates.

Investment Objective

The objective of the fund is to deliver income primarily from investment in Government securities.

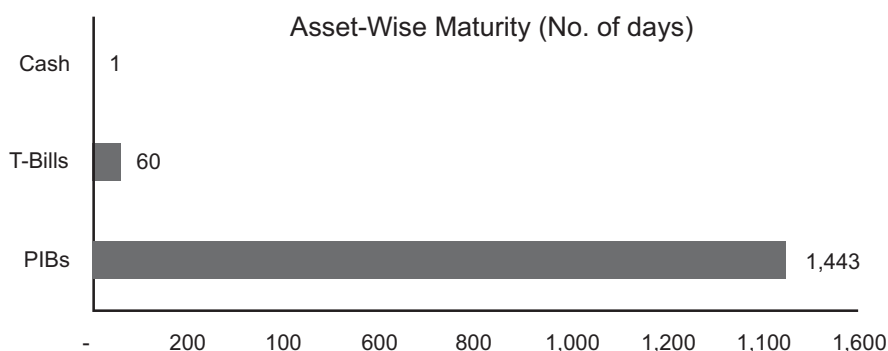
Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in bonds and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities. MSF is a long only fund and does not undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Manager's Review

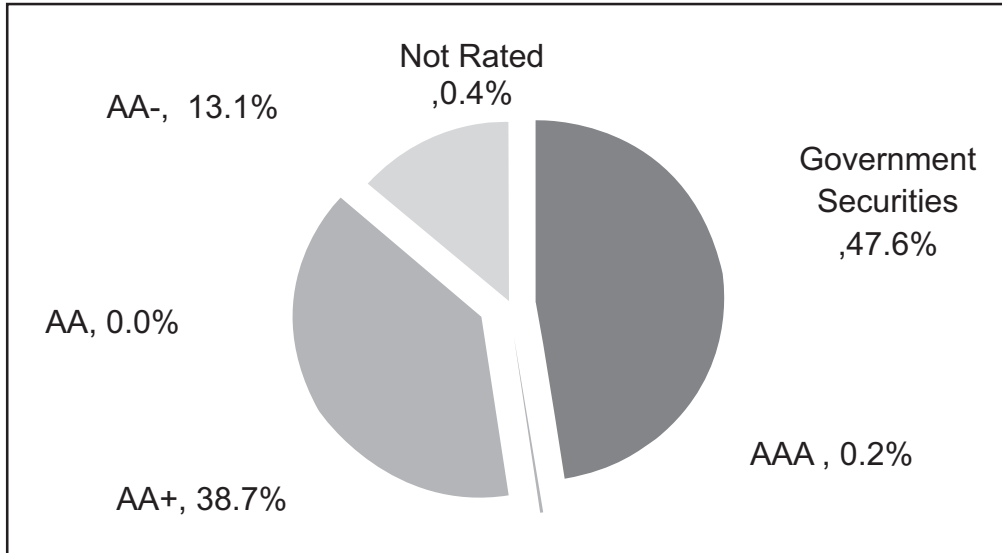
During the period under review, the fund generated an annualized return of 5.08% as against its benchmark return of 5.74%. In order to capitalize on changing interest rate scenario during the year, fund adjusted its WAM accordingly while maintaining most of its exposure in shorter tenor T-Bills and Cash. At period-end, the fund was 2.5% invested in PIBs, 45.1% in T-Bills and 52.0% in Cash.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 55.83 as compared to opening NAV of Rs. 53.13 per unit as at June 30, 2017 registering an increase of Rs. 2.7 per unit.



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

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



Mr. Saad Ahmed
Fund Manager

Karachi: September 6, 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 Shahr-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 PAKISTAN SOVEREIGN 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 Pakistan Sovereign 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 PAKISTAN SOVEREIGN FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **MCB Pakistan Sovereign 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
1. Amendment to the NBFC Regulations, 2008	
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.
2. Existence and valuation of debt securities	
<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 48% 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"> - We tested controls over acquisition, disposals and periodic valuation of debt instruments portfolio. - 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). - 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. - 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.

Signature

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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) -----	
ASSETS			
Balances with banks	5	592,954	1,321,761
Investments	6	542,864	1,025,054
Mark-up receivable	7	2,172	4,666
Advances, prepayments and other receivables	8	2,818	2,974
Total assets		1,140,808	2,354,455
LIABILITIES			
Payable to the Management Company	9	477	1,395
Payable to the Trustee	10	90	217
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	11	739	3,949
Payable against purchase of investments		514,487	945,695
Accrued and other liabilities	12	40,034	51,814
Total liabilities		555,827	1,003,070
NET ASSETS		584,981	1,351,385
Unit holders' fund (as per statement attached)		584,981	1,351,385
Contingencies and commitments	13		
NUMBER OF UNITS IN ISSUE			
		10,477,317	25,435,698
NET ASSETS VALUE PER UNIT			
		55.83	53.13

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) -----	
INCOME			
Mark-up on bank deposits		15,908	51,646
Income from Government securities		47,280	319,474
Net unrealised loss in the value of investments classified as 'at fair value through profit or loss - held-for-trading'		(406)	(3)
Net loss on sale of investments classified as 'at fair value through profit or loss - held-for-trading'		(1,010)	(95,939)
Reversal of Provision for Workers' Welfare Fund (WWF)	12.1	-	39,899
Total income		61,772	315,077
EXPENSES			
Remuneration of the Management Company	9.1	(6,295)	(36,840)
Sales tax on remuneration of the Management Company	9.2	(818)	(4,789)
Expenses allocated by the Management Company and related taxes	9.3	(1,113)	(5,949)
Remuneration of the Trustee	10.1	(1,412)	(4,699)
Sales tax on remuneration of the Trustee	10.2	(184)	(611)
Annual fee to SECP	11	(739)	(3,949)
Auditors' remuneration	14	(600)	(622)
Brokerage, settlement and bank charges		(289)	(2,536)
Legal and other professional charges		(470)	(875)
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	(997)	(1,163)
Other expenses		-	(176)
Total expenses		(12,917)	(62,209)
Net income for the year from operating activities		48,855	252,868
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	(195,900)
Net income for the year before taxation		48,855	56,968
Taxation	15	-	-
Net income for the year after taxation		48,855	56,968
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		48,855	-
Income already paid on units redeemed		(21,002)	-
		27,853	-
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		27,853	-
		27,853	-

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) -----	
Net income for the year after taxation	48,855	56,968
Other comprehensive income for the year:		
To be reclassified to income statement in subsequent periods:		
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available-for-sale'	(436)	18,592
Total comprehensive income for the year	48,419	75,560

The annexed notes from 1 to 24 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 (loss) / income	Unrealised appreciation / (diminution) on 'available-for-sale'	Total	Total
	----- (Rupees in '000) -----				
Net assets at beginning of the year	2,104,177	(753,347)	555	1,351,385	8,691,268
Issuance of 5,293,522 (2017: 72,554,568) units					
- Capital value (at net assets value per unit at beginning of the year)	281,242	-	-	281,242	-
- Element of income	9,176	-	-	9,176	-
	290,418	-	-	290,418	3,876,071
Redemption of 20,251,903 (2017: 210,482,332) units					
- Capital value (at net assets value per unit at beginning of the year)	1,075,973	-	-	1,075,973	-
- Element of income	8,266	21,002	-	29,268	-
	1,084,239	21,002	-	1,105,241	11,425,201
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	-	-	195,900
Total comprehensive income for the year	-	48,855	(436)	48,419	75,560
Distribution during the year	-	-	-	-	(62,213)
Net income for the year less distribution	-	48,855	(436)	48,419	13,347
Net assets at end of the year	1,310,356	(725,494)	119	584,981	1,351,385
Undistributed loss brought forward					
- Realised		(753,344)			(291,619)
- Unrealised		(3)			348
		(753,347)			(291,271)
Accounting income available for distribution:					
- Relating to capital gains		-			-
- Excluding capital gains		27,853			-
		27,853			-
Net income for the year after taxation		-			56,968
Element of loss and capital losses included in prices of units issues less those units redeemed - amount representing unrealised loss					(456,831)
Distribution during the year		-			(62,213)
Undistributed loss carried forward		(725,494)			(753,347)
Undistributed loss carried forward					
- Realised		(725,088)			(753,344)
- Unrealised		(406)			(3)
		(725,494)			(753,347)
	----- (Rupees) -----				
Net assets value per unit at beginning of the year				53.13	53.20
Net assets value per unit at end of the year				55.83	53.13

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

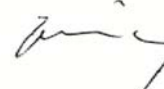
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



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) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	48,855	56,968
Adjustments for:		
Net unrealised loss in the fair value of investments classified as 'at fair value through profit or loss - held-for-trading'	406	3
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	195,900
Reversal of provision for Workers' Welfare Fund (WWF)	-	(39,899)
Provision for Sindh Workers' Welfare Fund (SWWF)	997	(1,163)
	<u>50,258</u>	<u>214,135</u>
Decrease / (increase) in assets		
Investments	646,787	6,622,758
Mark-up receivable	2,494	118,251
Advances, prepayments and other receivables	156	(798)
	<u>649,437</u>	<u>6,740,211</u>
(Decrease) / increase in liabilities		
Payable to the Management Company	(918)	(5,739)
Payable to the Trustee	(127)	(393)
Annual fee payable to SECP	(3,210)	(2,215)
Payable against purchase of investments	(431,208)	(1,044,367)
Payable against conversion of units	-	(2,769,378)
Accrued and other liabilities	(12,777)	50,516
	<u>(448,240)</u>	<u>(3,771,576)</u>
Net cash generated from operating activities	<u>251,455</u>	<u>3,182,770</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	290,418	3,876,071
Payments on redemption of units	(1,105,241)	(11,425,201)
Dividend paid	-	(62,213)
Net cash used in financing activities	<u>(814,823)</u>	<u>(7,611,343)</u>
Net decrease in cash and cash equivalents during the year	<u>(563,368)</u>	<u>(4,467,735)</u>
Cash and cash equivalents at beginning of the year	1,670,848	6,138,583
Cash and cash equivalents at end of the year	<u>1,107,480</u>	<u>1,670,848</u>

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 Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].
- 1.2 The Board of Directors have approved that the Fund should be categorised as "Income Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009.
- 1.3 During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.
- 1.4 Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investment Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.5 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by 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.
- 1.6 MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the Government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.
- 1.7 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.8 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated December 28, 2017 to the Management Company and has assigned stability rating of 'AA-(f)' dated June 30, 2018 to the Fund. The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	December 31, 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	December 31, 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	December 31, 2003

- 1.9 Title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the Trustee of the Fund.

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

2. STATEMENT OF COMPLIANCE

2.1 Statement of compliance

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 standards 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)

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

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

	Effective date (annual periods beginning on or after)
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

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

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

3. BASIS OF PREPARATION

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments that 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.

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. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. 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

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

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 been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs.19.60 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 assets 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.

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 'at 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 classified as 'at fair value through profit or loss'. 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.

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

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.

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 06, 2009 as amended by Circular No. 13 dated May 04, 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

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

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.

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 assets 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 estimate.

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.

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

- 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.

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	June 30, 2017
		----- (Rupees in '000) -----	
5. BALANCES WITH BANKS			
Deposit accounts	5.1	592,134	1,307,505
Current accounts		820	14,256
	5.2	<u>592,954</u>	<u>1,321,761</u>

5.1 These carry mark-up at rates ranging between 3.75% to 7.20% (2017: 3.75% to 6.60%) per annum.

5.2 These include a balance of Rs.1.44 (2017: Rs.15.02) million held with MCB Bank Limited (a related party).

		June 30, 2018	June 30, 2017
		----- (Rupees in '000) -----	
6. INVESTMENTS			
Investments by Category			
6.1 At fair value through profit or loss - held for trading			
Government Securities			
Pakistan investment bonds	6.1.1	16,889	-
Market treasury bills	6.1.2	514,526	970,336
		<u>531,415</u>	<u>970,336</u>
6.2 Available-for-sale			
Pakistan investment bonds	6.2.1	11,449	54,718
		<u>542,864</u>	<u>1,025,054</u>

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

6.1.1 Pakistan Investment Bonds - 'at fair value through profit or loss - held-for-trading'

Tenure	Issue Date	Face Value			As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2017	Purchases during the period	Sales / matured during the period	As At June 30, 2018	Carrying value	Market value		
(Rupees in '000)									
Pakistan Investment Bonds - 3 Years									
Pakistan Investment Bonds	December 29, 2016	-	1,100,000	1,100,000	-	-	-	-	-
Pakistan Investment Bonds - 5 Years									
Pakistan Investment Bonds	December 29, 2016	-	550,000	550,000	-	-	-	-	-
Pakistan Investment Bonds - 10 Years									
Pakistan Investment Bonds	May 31, 2018	-	500,000	500,000	-	-	-	-	-
Pakistan Investment Bonds	July 19, 2012	-	15,200	-	15,200	17,337	16,889	(448)	2.89%
									3.11%
As at June 30, 2018						17,337	16,889	(448)	
As at June 30, 2017						-	-	-	

6.1.1.1 These will mature latest by July 19, 2022 and carry interest at the rate of 12.00% per annum.

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

Tenure	Issue Date	Face Value			As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2017	Purchases during the period	Sales / matured during the period	As At June 30, 2018	Carrying value	Market value		
(Rupees in '000)									
Market Treasury Bills - 3 months 6.1.2.1	August 17, 2017	-	100,000	100,000	-	-	-	-	-
	November 23, 2017	-	500,000	500,000	-	-	-	-	-
	June 07, 2018	-	520,000	-	520,000	514,482	514,526	44	94.78%
	November 09, 2017	-	450,000	450,000	-	-	-	-	-
	September 28, 2017	-	275,000	275,000	-	-	-	-	-
	February 01, 2018	-	1,465,000	1,465,000	-	-	-	-	-
	February 15, 2018	-	750,000	750,000	-	-	-	-	-
	April 27, 2017	350,000	-	350,000	-	-	-	-	-
	April 26, 2018	-	200,000	200,000	-	-	-	-	-
	April 12, 2018	-	1,050,000	1,050,000	-	-	-	-	-
	January 18, 2018	-	750,000	750,000	-	-	-	-	-
	August 03, 2017	-	900,000	900,000	-	-	-	-	-
	January 04, 2018	-	150,000	150,000	-	-	-	-	-
	September 14, 2017	-	550,000	550,000	-	-	-	-	-
	October 26, 2017	-	1,040,000	1,040,000	-	-	-	-	-
Market Treasury Bills - 6 months	February 16, 2017	400,000	-	400,000	-	-	-	-	-
	February 02, 2017	-	60,000	60,000	-	-	-	-	-
	March 16, 2017	-	400,000	400,000	-	-	-	-	-
	March 30, 2017	25,000	-	25,000	-	-	-	-	-
Market Treasury Bills - 12 months	July 21, 2016	200,000	-	200,000	-	-	-	-	-
	August 03, 2017	-	200,000	200,000	-	-	-	-	-
	July 20, 2017	-	720,000	720,000	-	-	-	-	-
As at June 30, 2018						514,482	514,526	44	
As at June 30, 2017						970,339	970,336	(3)	

6.1.2.1 These will mature latest by August 30, 2018 (2017: July 20, 2017) and carry effective yield at the rates ranging from 5.96% to 6.72% (2017: 5.96 to 6.01%) per annum.

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

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

Tenure	Issue Date	Face Value				As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2017	Purchases during the period	Sales / matured during the period	As At June 30, 2018	Carrying value	Market value	Appreciation		
(Rupees in '000)										
Pakistan Investment Bonds - 3 Years	July 17, 2014	820	-	820	-	-	-	-	-	-
	December 29, 2016	-	100,000	100,000	-	-	-	-	-	-
Pakistan Investment Bonds - 5 Years	6.2.1.1 July 18, 2013	480	400	400	480	469	481	12	-	-
	6.2.1.1 March 26, 2015	5,000	100,000	100,000	5,000	5,229	5,118	(111)	-	-
	July 19, 2012	3,680	-	3,680	-	-	-	-	-	-
	April 21, 2016	-	100,000	100,000	-	-	-	-	-	-
Pakistan Investment Bonds - 10 Years	6.2.1.2 July 19, 2012	15,250	-	15,200	50	58	55	3	-	-
	August 22, 2007	19,700	-	19,700	-	-	-	-	-	-
Pakistan Investment Bonds - 20 Years	6.2.1.3 June 10, 2004	5,500	-	-	5,500	5,574	5,795	221	-	-
As at June 30, 2018										
Total as at June 30, 2017						11,330	11,449	119		
						54,163	54,718	555		

6.2.1.1 These will mature latest by March 26, 2020 (2017: March 26, 2020) and carry interest at the rates ranging from 9.25% to 11.50% (2017: 9.25% to 11.50%) per annum.

6.2.1.2 These will mature latest by July 19, 2022 (2017: July 19, 2022) and carry interest at the rate ranging from 9.60% to 12.00% (2017: 9.60% to 12.00%) per annum.

6.2.1.3 These will mature latest by June 10, 2024 (2017: June 10, 2024) and carry interest at the rate of 10% (2017: 10%) 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) -----	
7. MARK-UP RECEIVABLE			
Mark-up on:			
- Pakistan investment bonds		1,002	1,909
- Deposit accounts		1,170	2,757
	7.1	<u>2,172</u>	<u>4,666</u>
7.1 This includes a balance of Rs.0.86 (2017: Rs.0.09) million receivable on balances held with MCB Bank Limited (a related party).			
8. ADVANCES, PREPAYMENTS AND OTHER RECEIVABLES			
Advance tax		2,813	2,809
Prepaid stability rating fee - PACRA		-	152
Other receivables		5	13
		<u>2,818</u>	<u>2,974</u>
9. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	9.1	375	1,080
Sales tax on remuneration payable	9.2	49	141
Expenses allocated by the Management Company	9.3	53	174
		<u>477</u>	<u>1,395</u>
9.1 The management fees is being calculated on the lower of 10% of the Fund's operating revenue or 1.5% of average daily net assets subject to minimum fee of 0.5% (2017: 0.5%) of average daily net assets.			
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	80	192
Sales tax on remuneration payable	10.2	10	25
		<u>90</u>	<u>217</u>

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

- 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 assets 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	0.15% per annum of net assets
Rs.1 billion to Rs.10 billion	Rs.1.5 million plus 0.075% p.a. of net assets exceeding Rs.1 billion
Over Rs.10 billion	Rs.8.25 million plus 0.06% p.a. of net assets exceeding Rs.10 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	June 30, 2017
		----- (Rupees in '000) -----	
12. ACCRUED AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	4,513	3,516
Federal Excise Duty on remuneration to the Management Company	12.2	29,028	29,028
Federal Excise Duty payable on sales load		4,170	4,170
Withholding tax payable		62	5,742
Payable against redemption of units		-	7,186
Auditors' remuneration		366	427
Brokerage payable		33	80
Others		1,862	1,665
		40,034	51,814

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).

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

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.0.43 (2017: Re.0.14) 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 were already subject to provincial sales tax on services levied by the Sindh Revenue Board, which is being charged to the Fund, the Management Company was 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.29.03 (2017: Rs.29.03) 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.2.77 (2017: Rs.1.14) per unit.

13. Contingencies & Commitments

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

14. AUDITORS' REMUNERATION

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
Annual audit fee	270	270
Half yearly review fee	142	135
Other certification and services	58	108
	<u>470</u>	<u>513</u>
Sales tax	38	41
Out of pocket expenses	92	68
	<u>600</u>	<u>622</u>

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.

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

16. CASH AND CASH EQUIVALENTS	June 30, 2018	June 30, 2017
Balances with banks	592,954	1,321,761
Market treasury bills maturing within 3 months	514,526	349,087
	1,107,480	1,670,848

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 owing 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	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued For Cash	Redeemed	As at June 30, 2018
	Units				(Rupees in '000)			
Mandate under discretionary portfolio services	47,579	436,634	-	484,213	2,528	11	-	27,034
Key management personnel	11,048	7	11,048	7	587	-	-	-

June 30 2017								
	As at July 01, 2017	Issued For Cash	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued For Cash	Redeemed	As at June 30, 2018
	Units				(Rupees in '000)			
Group / associated companies								
Adamjee Insurance Company Limited	54,446,348	-	54,446,348	-	2,896,546	-	2,995,157	-
Adamjee Life Assurance Company Limited - Employees Provident Fund	1,628,533	-	1,628,533	-	86,638	-	88,102	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	-	187,793	187,793	-	-	10,000	10,032	-
Adamjee Life Assurance Company Limited - Investment Secure Fund	940,203	751,174	1,691,377	-	50,019	40,000	90,466	-
Adamjee Life Assurance Company Limited - Investment Secure Fund II	-	375,587	375,587	-	-	20,000	20,084	-
Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund	1,226,452	187,793	1,414,245	-	65,247	10,000	75,587	-
D.G. Khan Cement Company Limited	-	14,988,856	14,988,856	-	-	800,405	801,154	-
Mandate under discretionary portfolio services	15,745,896	4,184,433	19,884,750	45,579	837,679	223,899	1,069,276	2,528
Key management personnel	10,479	54,093	53,524	11,048	557	2,888	2,849	587

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) -----	
17.2 Transactions during the year:		
Management Company		
MCB Arif Habib Savings and Investment Limited		
Remuneration (including indirect taxes)	7,113	41,629
Expense allocated by the Management Company	1,113	5,949
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	1,596	5,310
Group / Associated Companies		
MCB Bank Limited		
Mark-up on bank deposits	33	621
Bank charges	4	42
Purchase of securities having face value of Rs.Nil (2017: Face value of Rs.600,000,000)	-	601,812
Sale of securities having face value of Rs.Nil (2017: Face value of Rs.1,028,000,000)	-	1,770,068
Silk Bank Limited		
Purchase of securities having face value of Rs.Nil (2017: Face value of Rs.1,950,000,000)	-	1,978,053
Sale of securities having face value of Rs.900,000,000 (2017: Face value of Rs.2,763,000,000)	1,008,952	3,571,033
Arif Habib Limited - Brokerage house		
Brokerage and settlement charges*	10	4
Next Capital Limited - Brokerage house		
Brokerage and settlement charges*	-	143
	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
17.3 Balances outstanding at year end:		
Management Company		
MCB-Arif Habib Savings and Investments Limited		
Remuneration payable	375	1,080
Sales tax on remuneration payable	49	141
Expenses allocated by the Management Company	53	174

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) -----	
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including indirect taxes)	80	192
Sales tax on remuneration payable	10	25
Group / Associated Companies:		
MCB Bank Limited		
Balances with bank**	1,442	15,018
Mark-up receivable on bank deposits	91	93
Sales load payable	-	53
Arif Habib Limited - Brokerage House		
Brokerage and settlement charges payable*	1	-

* 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 includes Rs.0.62 (2017: 0.77) million in deposit accounts carrying profit at the rate of 3.75% (2017: 3.75%) per annum.

18. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price). Adoption of IFRS 13 has not affected these financial statements.

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

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

- Level 1: quoted prices in active markets for identical assets or liabilities;
- Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

		June 30, 2018							
		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
Note		----- (Rupees in '000) -----							
Financial assets measured at fair value									
Market treasury bills	18.1	514,526	-	-	514,526	-	514,526	-	514,526
Pakistan investment bonds	18.1	16,889	11,449	-	28,338	-	28,338	-	28,338
		<u>531,415</u>	<u>11,449</u>	<u>-</u>	<u>542,864</u>	<u>-</u>	<u>542,864</u>	<u>-</u>	<u>542,864</u>
Financial assets not measured at fair value									
Balances with banks	18.2	-	-	592,954	592,954				
Mark-up receivable		-	-	2,172	2,172				
Other receivables		-	-	5	5				
		<u>-</u>	<u>-</u>	<u>595,131</u>	<u>595,131</u>				
Financial liabilities not measured at fair value									
Payable to the Management Company	18.2	-	-	428	428				
Payable to the Trustee		-	-	80	80				
Payable against purchase of investments		-	-	514,487	514,487				
Accrued and other liabilities		-	-	706	706				
		<u>-</u>	<u>-</u>	<u>515,701</u>	<u>515,701</u>				

		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) -----							
Financial assets measured at fair value									
Market treasury bills		970,336	-	-	970,336	-	970,336	-	970,336
Pakistan investment bonds		-	54,718	-	54,718	-	54,718	-	54,718
		<u>970,336</u>	<u>54,718</u>	<u>-</u>	<u>1,025,054</u>	<u>-</u>	<u>1,025,054</u>	<u>-</u>	<u>1,025,054</u>
Financial assets not measured at fair value									
Balances with banks		-	-	1,321,761	1,321,761				
Mark-up receivable		-	-	4,666	4,666				
Other receivables		-	-	13	13				
		<u>-</u>	<u>-</u>	<u>1,326,440</u>	<u>1,326,440</u>				
Financial liabilities not measured at fair value									
Payable to the Management Company		-	-	1,254	1,254				
Payable to the Trustee		-	-	192	192				
Payable against purchase of investments		-	-	945,695	945,695				
Accrued and other liabilities		-	-	7,932	7,932				
		<u>-</u>	<u>-</u>	<u>955,073</u>	<u>955,073</u>				

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.

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

Fair values of Market Treasury Bills and Pakistan Investment Bonds are derived using PKRV rates (Reuters page).

18.2 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

19. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and 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 mentioned risks. The Board of Directors of the 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 Government securities and investments in other money market instruments.

19.1 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.

19.1.1 Currency risk

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

19.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Fund holds fixed rate instrument in the form of government securities that expose the Fund to fair value interest rate risk.

As at June 30, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
Variable rate instruments		
Balances with banks - Deposit accounts	<u>592,134</u>	<u>1,307,505</u>
Fixed rate instruments		
Market treasury bills	514,526	970,336
Pakistan investment bonds	<u>28,338</u>	<u>54,718</u>
	<u>542,864</u>	<u>1,025,054</u>

a) Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs.5.92 (2017:

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

Rs.13.08) million and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds market treasury bills which are classified as 'fair value through profit or loss - held-for-trading', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2018, the net income for the year and net assets would be lower / higher by Rs.5.15 (2017: Rs.9.70) million.

As at June 30, 2018, the Fund also holds Pakistan Investment Bonds which are classified as 'available-for-sale' and 'fair value through profit or loss - held-for-trading', exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the FMAP on June 30, 2018, the other comprehensive income for the year and net assets would be lower / higher by Rs.0.28 (2017: Rs.0.55) million.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

June 30, 2018						
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest risk	Total	
	Upto three months	More than three months and upto one year	More than one year			
		----- (Rupees in '000) -----				
On-balance sheet						
financial instruments						
Financial assets						
Balances with banks	3.75 to 7.20	-	592,134	-	820	592,954
Investments classified as:						
'At fair value through						
profit or loss						
- held-for-trading'						
- Government securities	5.96 to 6.72	514,526	-	16,889	-	531,415
'Available-for-sale'						
- Government securities	9.25 to 12.00	481	-	10,968	-	11,449
Mark-up receivable		-	-	-	2,172	2,172
Other receivables		-	-	-	5	5
		515,007	592,134	27,857	2,997	1,137,995
Financial liabilities						
Payable to the Management Company		-	-	-	428	428
Payable to the Trustee		-	-	-	80	80
Payable against purchase of investments		-	-	-	514,487	514,487
Accrued and other liabilities		-	-	-	706	706
		-	-	-	515,701	515,701
On-balance sheet gap		515,007	592,134	27,857	(512,704)	622,294

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 yield / interest risk	Total	
----- (Rupees in '000) -----						
On-balance sheet						
financial instruments						
Financial assets						
Balances with banks	3.75 to 6.60	-	1,307,505	-	14,256	1,321,761
Investments classified as:						
'At fair value through profit or loss						
- held-for-trading'						
- Government securities	5.96 to 6.01	349,087	621,249	-	-	970,336
'Available-for-sale'						
- Government securities	9.25 to 12.00	3,818	820	50,080	-	54,718
Mark-up receivables		-	-	-	4,666	4,666
Other receivables		-	-	-	13	13
		352,905	1,929,574	50,080	18,935	2,351,494

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 yield / interest risk	Total
----- (Rupees in '000) -----					
Financial liabilities					
Payable to the Management Company	-	-	-	1,254	1,254
Payable to the Trustee	-	-	-	192	192
Payable against purchase of investments	-	-	-	945,695	945,695
Accrued and other liabilities	-	-	-	7,932	7,932
	-	-	-	955,073	955,073
On-balance sheet gap	352,905	1,929,574	50,080	(936,138)	1,396,421

19.1.3 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

19.2 Credit Risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on 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 Market treasury bills and Pakistan investment bonds are government backed and hence considered as secured.

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

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 as follows:

	June 30, 2018	June 30, 2017
	---- (Rupees in '000) ----	
Balances with banks	592,954	1,321,761
Mark-up receivable	2,172	4,666
Other receivables	5	13
	<u>595,131</u>	<u>1,326,440</u>

None of the financial assets were considered to be past due or impaired as on June 30, 2018.

Details of credit rating of balances with banks as at June 30, are as follows:

	Rating	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		---- (Rupees in '000) ----		---- (Percentage) ----	
Bank balances by rating category	Long-term / short-term				
Deposit accounts					
Habib Metropolitan Bank Limited	AA+/A1+	739	6,576	0.12%	0.50%
MCB Bank Limited	AAA/A1+	627	767	0.11%	0.06%
Faysal Bank Limited	AA/A1+	10	11	0.00%	0.00%
Allied Bank Limited	AAA/A1+	440,313	272,576	74.26%	20.62%
Bank Alfalah Limited	AA+/A1+	370	1,021,887	0.06%	77.31%
NIB Bank Limited	Not available	-	1	0.00%	0.00%
Bank Al-Habib Limited	AA+/A1+	7	7	0.00%	0.00%
Habib Bank Limited	AAA/A-1+	25	-	0.00%	0.00%
National Bank of Pakistan	AAA/A1+	451	-	0.08%	0.00%
Zarai Taraqati Bank Limited	AAA/A-1+	14	15	0.00%	0.00%
JS Bank Limited	AA-/A1+	149,566	5,659	25.22%	0.43%
United Bank Limited	AAA/A-1+	12	6	0.00%	0.00%
		<u>592,134</u>	<u>1,307,505</u>	<u>99.84%</u>	<u>98.92%</u>
Current accounts					
MCB Bank Limited	AAA/A1+	813	14,251	0.16%	1.08%
Habib Metropolitan Bank Limited	AA+/A1+	7	5	0.00%	0.00%
		<u>820</u>	<u>14,256</u>	<u>0.16%</u>	<u>1.08%</u>
		<u>592,954</u>	<u>1,321,761</u>	<u>100%</u>	<u>100%</u>

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

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Investments in fixed income securities

Investments 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.

Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

All of the Fund's concentration of credit risk at the end of financial year 2018 and 2017 are with commercial banks.

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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting its obligations arising from its financial liabilities that are settled by delivering cash or other financial assets or that such obligations will have to be settled in a manner disadvantageous to the Funds. Liquidity risk also arises because of the possibility that the Fund could be required to pay its liabilities earlier than expected. The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's applicable redemption price calculated in accordance with the Fund's constitutive documents and guidelines laid down by the SECP.

Units of the Fund are redeemable on demand at the holder's option, however, the Fund does not anticipate significant redemption of units.

19.4 Financial instruments by category

As at June 30, 2018, all the financial assets are carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables' or financial assets classified as 'at fair value through profit or loss - held-for-trading' and 'available-for-sale'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss - held-for-trading'.

	June 30, 2018		
	Available-for-sale	At fair value through profit or loss - held-for-trading	Loans and receivables
	(Rupees in '000)		
Assets			
Balances with banks	-	-	592,954
Investments	11,449	531,415	-
Mark-up receivable	-	-	2,172
Other receivables	-	-	5
	11,449	531,415	595,131
			1,137,995

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

	June 30, 2018		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	428	428
Payable to the Trustee	-	80	80
Payable against purchase of investments	-	514,487	514,487
Accrued and other liabilities	-	706	706
	-	515,701	515,701

	June 30, 2017			
	Available-for- sale	At fair value through profit or loss - held- for-trading	Loans and receivables	Total
	----- (Rupees in '000) -----			
Assets				
Balances with banks	-	-	1,321,761	1,321,761
Investments	54,718	970,336	-	1,025,054
Mark-up receivable	-	-	4,666	4,666
Other receivables	-	-	13	13
	54,718	970,336	1,326,440	2,351,494

	June 30, 2017		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	1,254	1,254
Payable to the Trustee	-	192	192
Payable against purchase of investments	-	945,695	945,695
Accrued and other liabilities	-	7,932	7,932
	-	955,073	955,073

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

20. 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.

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

As at June 30, 2018				
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage of total investments
Individuals	565	6,292,964	351,356	60.06%
Retirement funds	14	3,275,458	182,879	31.26%
Others	21	908,895	50,746	8.68%
	600	10,477,317	584,981	100.00%

As at June 30, 2017				
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage Investment
Individuals	633	13,848,788	735,786	54.45%
Retirement funds	19	4,856,479	258,025	19.09%
Public limited companies	6	4,753,085	252,531	18.69%
Others	8	1,977,346	105,043	7.77%
	666	25,435,698	1,351,385	100.00%

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

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 Invest Capital Markets Limited	23.93%
2 Investone Markets (Private) Limited	16.82%
3 Paramount Capital (Private) Limited	12.66%
4 Magneta Capital (Private) Limited	7.63%
5 Arif Habib Limited	7.23%
6 C and M Management (Private) Limited	6.28%
7 BMA Capital Management Limited	5.64%
8 Pearl Securities Limited	5.52%
9 Icon Securities (Private) Limited	4.87%
10 Bright Capital (Private) Limited	3.69%

	June 30, 2017 Percentage
1 Invest Capital Markets Limited	33.42%
2 EFG Hermes Pakistan Limited	9.38%
3 Magenta Capital (Private) Limited	7.44%
4 Js Global Capital Limited	6.58%
5 BMA Capital Management Limited	5.83%
6 Paramount Capital (Private) Limited	5.61%
7 Next Capital Limited	5.05%
8 C And M Management (Private) Limited	4.23%
9 Icon Securities (Private) Limited	3.88%
10 Summit Capital (Private) Limited	3.17%

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:

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

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

21.4 Particulars of investment committee and fund manager

Details of members of investment committee of the Fund are as follows:

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,	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 DCF Income Fund;
- Pakistan Cash Management Fund;
- Pakistan Income Enhancement Fund; and
- Alhamra Daily Dividend Fund.

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

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.2.75 per unit on the face value of Rs.50 each (i.e 5.18%) amounting to Rs.28.81 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 1.31% as on June 30, 2018 (2017: 1.18%) and this includes 0.29% (2017: 0.21%) 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.

25. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized 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**

No. of Unit Holders	Unit Holdings	Total Units Held
431	0-10000	845,468
155	10001 - 100000	4,916,862
13	100001 - 1000000	3,064,189
1	1000001 - Onwards	1,650,797
<u>600</u>		<u>10,477,317</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	585	1,351	8,691	3,193	2,496
Net Assets value per unit – Rupees	55.83	53.13	53.20	53.06	50.04
Closing Offer Price	56.78	54.03	54.28	54.18	51.07
Closing Repurchase Price	55.83	53.13	53.20	53.06	50.04
Highest offer price per unit	56.78	57.20	57.95	59.23	53.15
Lowest offer price per unit	54.03	53.96	54.13	51.08	50.44
Highest Redemption price per unit	55.83	56.25	56.80	58.04	52.08
Lowest Redemption price per unit	53.13	53.06	53.06	50.06	49.98
Distribution per unit – Rs. *	-	3.20	3.74	5.25	4.45
Average Annual Return - %					
One year	5.08	5.89	7.30	16.58	9.26
Two year	5.49	6.60	11.94	12.92	10.78
Three year	6.09	9.92	11.05	12.714	10.954
Net Income for the year – Rs. in million	48.85	56.97	86.29	273.95	119.89
Distribution made during the year – Rs. in million	-	62.21	141.23	119.58	151.95
Accumulated Capital Growth – Rs. in million	48.85	(5.25)	(54.94)	154.37	(32.05)
Weighted average Portfolio Duration (days)	123	65	347	730	438

* Date of Distribution

2017	
Date	Rate
June 21, 2017	3.20

2016	
Date	Rate
June 25, 2016	3.735

2015	
Date	Rate
June 25, 2015	5.25

2014	
Date	Rate
September 27, 2013	0.53
December 27, 2013	0.96
March 27, 2014	2.04
June 27, 2014	0.92

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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