



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY AKORA

ANNUAL REPORT 2018

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

PAKISTAN INCOME ENHANCEMENT 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
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 Shahra-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 United Bank Limited Allied Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank U Micro Finance Bank Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited First Micro Finance Bank Limited National Bank of Pakistan Silk Bank Limited	
Auditors	Deloitte Yousuf Adil Chartered Accountant Cavish Court, A-35, Block-7 & 8, KCHSU, Shahra-e-Faisal, Karachi-75350.	
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, Centerpoint, off Shaheed-e-Millat Express Way 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 **Pakistan Income Enhancement 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 5.17% against its benchmark return of 6.53%. WAM of fund stood at 2.3 years. The fund increased its exposure in Cash & TFCs.

At period-end, the fund was invested 46.7% in Cash, 1.8% in Treasury Bills, 38.7% in TFCs, 8.6% in Commercial Paper and 1.4% in PIBs.

The Net Assets of the fund as at June 30, 2018 stood at Rs. 1,350 million as compared to Rs. 1,688 million as at June 30, 2017 registering a decrease of 20.03%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 55.8399 as compared to opening NAV of Rs. 53.0958 per unit as at June 30, 2017 registering an increase of Rs. 2.7441 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

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

Corporate Governance

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

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

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

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

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

EXTERNAL AUDITORS

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

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 14, 2018



Nasim Beg
Director / Vice Chairman

خارجی آڈیٹرز

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

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے 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 چیئرمین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء

ڈائریکٹرز رپورٹ

1. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
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

2. ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

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

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

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

- 1 جناب مرزا قمر بیگ - چیئرمین
- 2 جناب نسیم بیگ
- 3 جناب احمد جہانگیر

ڈائریکٹرز رپورٹ

کران کے مطابق اپنے دائرہ کار میں تبدیلیاں لارہے ہیں۔ ہمارا Top-Down تجزیہ روپے کی قدر میں کمی اور انٹریسٹ کی بلند شرحوں سے مستفید ہونے والے شعبوں کی حمایت کرتا ہے؛ تاہم، ہم کمپنی کے انفرادی عناصر اور ان کی قیمتوں کو نظر انداز نہیں کر سکتے جن سے سکیورٹی کے انتخاب میں اہم کردار ادا ہو سکتا ہے۔

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 اکیوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، نان بینکنگ فنانس کمپنیز (اسٹابلشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

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

g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

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

i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریننگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔

k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔

l. بورڈ آف ڈائریکٹرز کی میننگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میننگز کی تفصیلات درج ذیل ہیں:

فنڈ کی کارکردگی

زیرِ جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 5.17% تھا جبکہ مقررہ معیار 6.53% تھا۔
 فنڈ کا WAM 2.3 سال کی سطح پر تھا۔ فنڈ کی نقد اور ٹرم فنانس سٹرٹیفکیٹس (TFCs) میں شمولیت میں اضافہ کیا گیا۔
 اختتام مدت پر فنڈ کی سرمایہ کاری 46.7% نقد میں، 1.8% ٹریڈری بلز میں، 38.7% ٹرم فنانس سٹرٹیفکیٹس (TFCs) میں، 8.6% کمرشل پیپر میں اور 1.4% پاکستان انویسٹمنٹ بانڈز (PIBs) میں تھی۔
 30 جون 2018ء کو فنڈ کے net اثاثہ جات 1,350 ملین روپے تھے، جو 30 جون 2017ء کو 1,688 ملین روپے کے مقابلے میں 20.03% کمی ہے۔
 30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 55.8399 روپے تھی، جو 30 جون 2017ء کو 53.0958 روپے ابتدائی NAV کے مقابلے میں 2.7441 روپے فی یونٹ اضافہ ہے۔

مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کھپت کے رجحان پر کمزور روپیہ اور تنگ مالیاتی پالیسی کا راج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد ناپسندیدہ اقدامات سے پُر ہو سکتا ہے۔ پاکستان تحریک انصاف (حکمران جماعت) کے ابتدائی منصوبوں کی روشنی میں بہتر پالیسی اقدامات کی توقع کی جاسکتی ہے، لیکن خطرناک معاشی حالات کے پیش نظر ہم سمجھتے ہیں کہ فوری میعاد والے اقدامات بے حد ضروری ہیں تاکہ جڑواں خساروں پر توجہ دی جاسکے۔ مالیاتی جہت میں بھی ضعف متوقع ہے کیونکہ حکومت کے بے دریغ خرچ کے باعث مالیاتی خسارہ مجموعی ملکی پیداوار (GDP) کے 6.0% سے تجاوز کر جائے گا۔ خارجی رُخ پر متعدد دباؤ کے ساتھ ساتھ افراط زر میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔ ایکویٹی کی جہت پر انتخابات کے بعد ہم ماحول کی باریک بینی سے نگرانی کریں گے تاکہ پالیسی کے حوالے سے نئی راہنمائی کے دستیاب ہوتے ہی اس پر عملدرآمد کر سکیں۔ وسیع تر تناظر میں ہم سمجھتے ہیں کہ مارکیٹ کی گزشتہ دو برسوں کی کارکردگی (اوپنی ترین سطح سے تقریباً 20% کم) سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوئی ہے، اور دورانی اشکس کی کارکردگی کی بھی عکاسی ہوئی ہے جہاں اشکس کی قیمتوں میں تصحیح مزید تیز ہے۔ ہم اپنے موقف پر قائم ہیں کہ موجودہ سطحوں پر کمی کی محدود استعداد ہے جس کی بدولت طویل المیعاد سرمایہ کاروں کو خاطر خواہ سہولت فراہم ہوتی ہے۔ ہم سمجھتے ہیں کہ اشکس میں ترقی بتدریج ظاہر ہوگی جب اعتماد بحال ہوگا اور معاشی پالیسیاں حالات کو توقعات کے مطابق ڈھالیں گی۔ چنانچہ آگے بڑھتے ہوئے اشکس طویل المیعاد سرمایہ کاری کا موقع فراہم کرتے ہیں جس میں صبر کے ساتھ چلنے والے سرمایہ کاروں کے لیے منافع ہوگا۔ ہم بدستور ملک کی معاشی علامات کے رجحانات پر نظر رکھ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان انکم انہینسمنٹ 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 درآمدی تلافی فراہم ہوئی۔ مجموعی طور پر اگلے مالی سال کی دوسری سہ ماہی کے دوران پاکستان ایک اور IMF پروگرام کے رُخ پر گامزن ہو سکتا ہے، سوائے اس کے کہ ایمنسٹی اسکیم کے ذریعے خاطر خواہ آمدورفت پیدا کی جائے۔

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

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

Fund Type and Category

Pakistan Income Enhancement Fund- (PIEF) is an open end fund which comes under aggressive income scheme. This fund may invest in bonds, money market placements, certificates of deposits, certificates of Musharikas, Commercial Papers, TFCs/Sukuks and debt securities issued by the Government of Pakistan as well as Reverse Repurchase transactions (Reverse-REPOs) against government securities with at least 10% of the net assets shall be invested in cash and/or near cash instruments which include cash in bank account (excluding TDRs), Treasury bills not exceeding 90 days maturity; Fund Benchmark

The benchmark for PIEF is One (1) year KIBOR rates.

Investment Objective

The objective of the fund is to deliver return from aggressive investment strategy in debt and fixed income market

Manager's Review

During the period under review, the fund generated an annualized return of 5.17% against its benchmark return of 6.53%.

WAM of fund stayed the same at 2.3 years. The fund decreased its exposure in T-bills mainly because of discount rate outlook which appeared to be near bottom.

At period-end, the fund was invested 46.7% in Cash, 38.7% in TFCs, 1.8% in Treasury Bills, 1.4% in PIBs and 8.6% in Commercial Paper.

The Net Assets of the fund as at June 30, 2018 stood at Rs. 1,350 million as compared to Rs. 1,688 million as at June 30, 2017 registering a decrease of 20.02%.

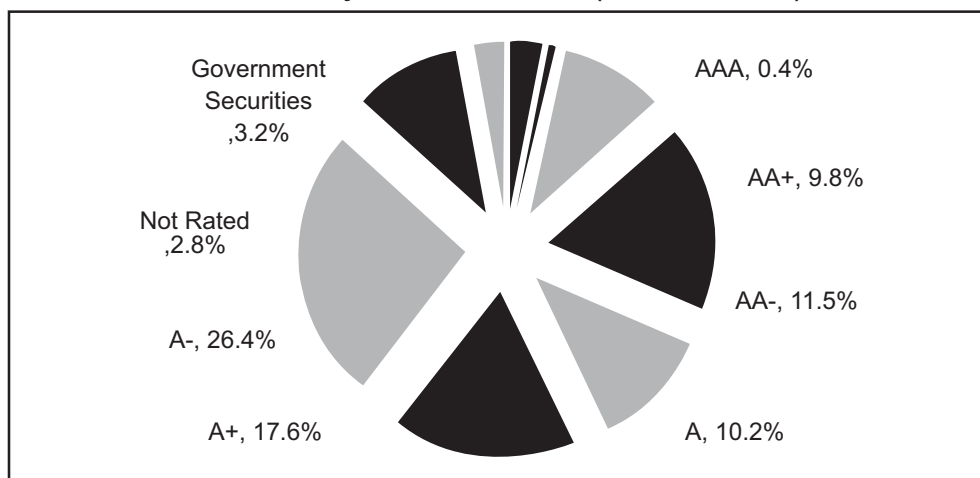
The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 55.8399 as compared to opening NAV of Rs. 53.0958 per unit as at June 30, 2017 registering a decrease of Rs. 2.7441 per unit.

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

Particulars	June18
Cash	46.7%
PIBs	1.4%
TFCs	38.7%
T-Bills	1.8%
Term Deposit with Banks	0.0%
Spread Transactions	0.0%
Others including receivables	2.8%
Margin Trading	0.0%
Commercial Papers	8.6%

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 14, 2018

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office:

CDC House, 99-B, Block 'B',
S.M.C.H.S., Main Shahra-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

PAKISTAN INCOME ENHANCEMENT FUND

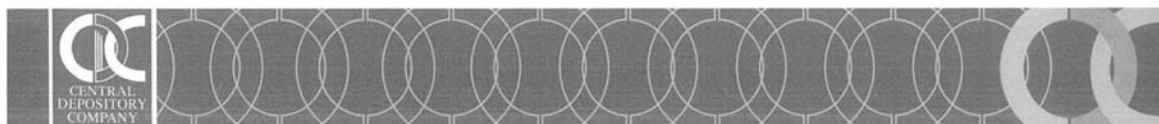
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Enhancement 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



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF PAKISTAN INCOME ENHANCEMENT FUND

Report on the Audit of the Financial Statements

Opinion

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

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

Basis for Opinion

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

Key Audit Matters

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

S.No.	Key audit matter	How our audit addressed the key audit matter
a)	Valuation and existence of investments As disclosed in note 6 to the financial statements, investments amounting to Rs. 675.7 million were held by the fund as at June 30, 2018. These investments represent a significant item on the statement of assets and liabilities. The Fund invests principally in listed equity & debt securities and their valuation and existence is a significant area during our audit. There is a risk that appropriate quoted prices may not be used to determine fair value.	We performed the following steps during our audit of investments: <ul style="list-style-type: none">independent testing of valuations by using the quoted market price and ensuring that the existence of number of securities from CDC records;performing purchases and sales testing on a sample of trades made during the year to obtain evidence regarding movement of securities during the year; and

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

S.No.	Key audit matter	How our audit addressed the key audit matter
	Further, the Fund may have included investments in its financial statements which were not owned by Fund.	<ul style="list-style-type: none"> any differences identified during our testing that were over our acceptable threshold were investigated further.
b)	Change in accounting policy as a result of amendments in Non-Banking Finance Companies and Notified Entities Regulation, 2008	
	<p>As disclosed in note 4.1, to the financial statements, on August 03, 2017, SECP issued SRO no. 756(1)/2017 whereby certain amendments were made in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations). Such amendments introduced definition of Element of Income, and required certain additional disclosures in income statement and statement of movement in unit holders' fund together with removal of requirement to present distribution statement separately.</p> <p>The abovementioned amendments require significant changes in the calculation, accounting, presentation and disclosure of the 'Element of Income' in the financial statements, which have been applied as a change in accounting policy prospectively in accordance with the clarification issued by the Securities and Exchange Commission of Pakistan. Considering the significance of the above factors, we have treated these changes as Key Audit Matter.</p>	<p>In order to address the matter we have:</p> <ul style="list-style-type: none"> Held discussions with management regarding the amendments made in the NBFC Regulations, the resulting changes required in the financial statements and how the systems were updated to cater for the amendments; Obtained account holder wise movement of all unit holders of the Fund and for a sample of unit holders, verified the movement in terms of units and value (including net asset value per unit) by checking supporting documents to ensure that element of income and income already paid on units redeemed is accurate. Also prepared quantitative reconciliation of units reported; and Checked adequacy of presentation and disclosure requirements including element of income in the financial statements as per the requirements of Schedule V of the NBFC Regulations.
c)	Impairment of available for sale investments	
	The Fund invests in financial instruments that comprise available for sale investments in Government securities. These investments are measured at fair value with the corresponding fair value changes recognized in other comprehensive income. The valuation is performed by the Management Company using the market	In auditing the impairment of available for sale investments, we assessed the processes and key controls relating to valuation of available for sale investments. In addition, we performed valuation testing on a sample of investments held as at June 30, 2018, reviewed the Fund's impairment policy, and assessed the adequacy of impairment charge on available for sale investments at year-end.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

S.No.	Key audit matter	How our audit addressed the key audit matter
	<p>interest rates announced by Reuters and MUFAP.</p> <p>The Management Company performs an impairment review of its available for sale investments annually and records impairment charge when there has been a significant or prolonged decline in the fair value of investments below their cost. In determining 'significant' or 'prolonged', Management Company evaluates, among other factors, historical share price movements and the duration and extent to which the fair value of an investment is less than its cost.</p> <p>There is a risk that Management Company may not calculate the impairment charge accurately as high degree of judgement is involved in determining 'significant' or 'prolonged' decline.</p>	<p>We also considered whether the disclosures in relation to available for sale investments comply with the relevant disclosure requirements. The Fund's disclosures related to financial instruments are included in notes 4.2, 6 and 25.</p>

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

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

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

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

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

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

In preparing the financial statements, the Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

the going concern basis of accounting unless Management Company either intends to liquidate the Fund or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

From the matters communicated with those charged with governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare

DA

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

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.

Report on Other Legal and Regulatory Requirements

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

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

Deloitte Yousuf Adil
Chartered Accountants

Date: September 14, 2018
Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

STATEMENT OF ASSETS AND LIABILITIES

AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
ASSETS			
Balances with banks	5	646,442	642,493
Investments	6	675,658	977,912
Dividend and profit receivable	8	13,220	13,863
Advances, deposits and prepayments	9	3,054	3,065
Advance against subscription of Term Finance Certificate		22,000	1,000
Receivable against margin trading system		-	10,919
Receivable from National Clearing Company of Pakistan Limited		22,963	48,021
Receivable against sale of equity securities		-	66,813
Total assets		1,383,337	1,764,086
LIABILITIES			
Payable to Management Company		2,535	2,753
Payable to Central Depository Company of Pakistan Limited - Trustee		190	235
Payable to Securities and Exchange Commission of Pakistan		1,378	1,826
Payable against redemption of units		2,079	2,079
Payable against purchase of equity securities		-	39,299
Accrued expenses and other liabilities	10	27,162	29,828
Total liabilities		33,344	76,020
NET ASSETS		1,349,993	1,688,066
Unit holders' fund (as per statement attached)		1,349,993	1,688,066
Contingencies and Commitments	11		
(Number of units)			
NUMBER OF UNITS IN ISSUE		24,176,126	31,792,881
(Rupees)			
NET ASSET VALUE PER UNIT	4.15	55.8399	53.0958

The annexed notes from 1 to 30, 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

	Note	2018 (Rupees in '000)	2017
INCOME			
Income from government securities		9,104	37,079
Income from Term Finance Certificates		44,438	38,445
Profit on bank deposits		43,314	38,547
Capital (loss) / gain on sale of investments - net		(3,095)	9,398
Income from Term Deposit Receipts		12,306	24,912
Markup income on margin trading system		11,357	15,081
Dividend income		2,045	13,541
Loss on spread transactions		(1,646)	(14,941)
Amortization on commercial papers		10,133	4,515
Unrealised (diminution) / appreciation on re-measurement of investments classified as at fair value through profit or loss - net	6.7	(3,885)	2,521
Provision charged against non-performing debt securities	6.3 & 6.4		(2,756)
Other income		798	267
Total income		124,869	166,609
EXPENSES			
Remuneration of Management Company	12	18,854	33,688
Sales tax and Federal Excise Duty on remuneration of Management Company		2,451	4,379
Remuneration of Central Depository Company of Pakistan Limited - Trustee	13	2,412	2,920
Sindh Sales tax on remuneration of Trustee	14	314	380
Securities and Exchange Commission of Pakistan - annual fee	15	1,378	1,826
Allocated expenses including indirect taxes	16	2,077	2,752
Securities transaction cost		1,250	6,247
Professional charges on marginal trading system		1,444	1,929
Fees and subscription		506	599
Legal and professional charges		171	66
Auditors' remuneration	17	589	592
Bank charges		221	519
Other expenses		41	615
Total expenses		31,708	56,512
Net income from operating activities		93,161	110,097
Net element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed			(61,270)
Less / (add): Provision / (reversal) of SWWF / WWF		1,863	(15,054)
Net income for the year before taxation		91,298	63,881
Taxation	18	-	-
Net income for the year		91,298	63,881
Allocation of net income for the year:			
Net income for the year		91,298	
Income already paid on units redeemed		(40,026)	
		51,272	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		51,272	
		51,272	
Earnings per unit	4.14		

The annexed notes from 1 to 30, 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

	Note	2018 (Rupees in '000)	2017
Net income for the year after taxation		91,298	63,881
Other comprehensive income for the year			
Items that may be reclassified to profit and loss account			
Unrealised diminution in value of investments classified as available for sale - net	6.8	(521)	(3,054)
Total comprehensive income for the year		90,777	60,827

The annexed notes from 1 to 30. 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' FUND FOR THE YEAR ENDED JUNE 30, 2018

	2018			2017	
	(Rupees in '000)				
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Total
Net assets at beginning of the year	1,592,906	94,679	481	1,688,066	2,462,552
Issue of 41,395,847 units (2017: 107,991,132 units)					
- Capital value (at net asset value per unit at the beginning of the year) of Rs. 53.0958	2,197,946	-	-	2,197,946	
- Element of income	41,518	-	-	41,518	
Total proceeds from issuance of units	2,239,464	-	-	2,239,464	5,703,703
Redemption of 49,012,602 units (2017: 122,523,038 units)					
- Capital value (at net asset value per unit at the beginning of the year) of Rs. 53.0958	(2,602,363)	-	-	(2,602,363)	
- Amount paid out of element of income					
- Relating to 'net income for the year after taxation'	(25,925)	(40,026)	-	(65,951)	
- Relating to 'other comprehensive income for the year'	-	-	-	-	
- Refund / (adjustment) on units as element of income	-	-	-	-	
Total payments on redemption of units	(2,628,288)	(40,026)	-	(2,668,314)	(6,536,518)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	61,270
Total comprehensive income for the year	-	91,298	(521)	90,777	60,827
Distribution during the year	-	-	-	-	(63,768)
Net income for the year less distribution	-	91,298	(521)	90,777	(2,941)
Net assets at end of the year	1,204,082	145,951	(40)	1,349,993	1,688,066
Undistributed income brought forward					
- Realised		59,471			109,834
- Unrealised		35,208			32,813
		94,679			142,647
Accounting income available for distribution					
- Relating to capital gains		-			
- Excluding capital gains		51,272			
		51,272			
Net income for the year after taxation		-			63,881
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		-			(48,081)
Distribution during the year		-			(63,768)
Undistributed income carried forward		145,951			94,679
Undistributed income carried forward					
- Realised		149,836			59,471
- Unrealised		(3,885)			35,208
		145,951			94,679
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the year				53.0958	53.16
Net assets value per unit at end of the year				55.8399	53.0958

The annexed notes from 1 to 30, form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year		91,298	63,881
Adjustments for non cash and other items:			
Unrealised diminution / (appreciation) on re-measurement of investments classified as at fair value through profit or loss - net		3,885	(2,521)
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net			
- arising from capital gain and unrealised gain		-	3,263
- arising from income other than capital gain and unrealized gain		-	58,007
Provision / (reversal) of Sindh worker's welfare fund - net		1,863	(15,054)
Reversal against non-performing investments - net		-	2,756
		97,046	110,332
(Increase) / decrease in assets			
Investments - net		322,576	224,260
Dividend and profit receivable		643	16,905
Advances, deposit and prepayments		11	(2,507)
Advance against subscription of Term Finance Certificate		(21,000)	(1,000)
Receivable against margin trading system		10,919	(10,919)
Receivable from National Clearing Company of Pakistan Limited		25,058	(48,021)
Receivable against sale of equity securities - net		66,813	(27,514)
		405,020	151,204
Increase / (decrease) in liabilities			
Payable to Management Company		(218)	(4,287)
Payable to Central Depository Company of Pakistan Limited - Trustee		(45)	(150)
Payable to Securities and Exchange Commission of Pakistan		(448)	(599)
Payable against purchase of equity securities		(39,299)	(1,029)
Accrued expenses and other liabilities		(4,529)	(7,587)
		(44,539)	(13,652)
Net cash generated from operating activities	A	457,527	247,884
B. CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		-	(63,768)
Cash received from sale of units		2,239,464	5,703,703
Cash paid for redemption of units		(2,668,314)	(6,536,518)
Net cash used in financing activities	B	(428,850)	(896,583)
Net increase / (decrease) in cash and cash equivalents during the year	(A+B)	28,677	(648,699)
Cash and cash equivalents at beginning of the year		642,493	1,291,192
Cash and cash equivalents at end of the year	27.	671,170	642,493

The annexed notes from 1 to 30. 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 Pakistan Income Enhancement Fund (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on July 14, 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on June 26, 2008 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3 The Fund is an open-ended mutual fund and has been categorised as 'Aggressive Fixed Income Scheme' by the Board of Directors of the Management Company in pursuant to Circular 7 of 2009, dated 6 March 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unit holders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend. The units are listed on Pakistan Stock Exchange (PSX).
- 1.4 The Fund primarily invests in a mix of listed equity and debt securities, unlisted government securities and secured debt securities, money market transactions and reverse repurchase transactions, spread transactions and transaction under Margin Trading System.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of AM2++ dated December 28, 2017 to the Management Company and "A+(f)" as stability rating dated June 30, 2018 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

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

2.2 IFRS 9 Financial Instruments

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

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

Key requirements of IFRS 9:

- debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortized cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at FVTOCI. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading nor contingent consideration recognised by an acquirer in a business combination) in other comprehensive income, with only dividend income generally recognised in profit or loss.
- with regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of a financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of such changes in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- in relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.
- the new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in IAS 39. Under IFRS 9, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

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

Classification and measurement

- Listed equity securities classified as 'at Fair value through Profit or Loss' investments carried at fair value as disclosed in note 6.1: these shares will continue to be subsequently measured at FVTPL upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- Debt securities (Listed / Unlisted) classified as 'at Fair value through Profit or Loss' investments carried at fair value as disclosed in note 6.3 and 6.4: these are held within a business model whose objective is achieved both by collecting contractual cash flows and selling the notes in the open market, and the notes' contractual terms give rise to cash flows on specified dates that are solely payments of principal and interest on the principal outstanding. Accordingly, the unlisted debt securities will continue to be subsequently measured at FVTPL upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;
- Government securities classified as 'at fair value through profit or loss' investments carried at fair value as disclosed in note 6.2: these securities will continue to be subsequently measured at FVTPL upon the application of IFRS 9, and the fair value gains or losses and gains or losses on derecognition of such investments will be recognised in profit or loss;

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

- Government securities classified as available-for-sale investments carried at fair value as disclosed in note 6.5: these securities qualify for designation as measured at FVTOCI under IFRS 9; however, the fair value gains or losses accumulated in the investment revaluation reserve will no longer be subsequently reclassified to profit or loss under IFRS 9, which is different from the current treatment. This will affect the amounts recognised in the Fund's profit or loss and other comprehensive income but will not affect total comprehensive income;
- "All other financial assets and financial liabilities will continue to be measured on the same bases as is currently adopted under IAS 39."

Impairment

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

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

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

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

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

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

Amendments to IFRS that are not yet effective

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

Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
IFRS 15 'Revenue' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018

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

Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in associates and joint ventures	January 01, 2019
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018. Earlier application is permitted.
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	January 01, 2019
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	An entity choosing to apply the overlay approach retrospectively to qualifying financial assets does so when it first applies IFRS 9. An entity choosing to apply the deferral approach does so for annual periods beginning on or after 1 January 2018.
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018. Earlier application is permitted.
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 1, 2019

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

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

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

3. BASIS OF PREPARATION

3.1 Accounting convention

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

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

3.2 Critical accounting estimates and judgments

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

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

3.3 Functional and presentation currency

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

4. SUMMARY OF ACCOUNTING POLICIES

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

4.1 Change in accounting policy

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

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 1, 2017 as allowed by SECP vide their email to MUFAP dated February 08, 2018. Accordingly, corresponding figures have not been restated. The 'Distribution statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the profit of the Fund would have been lower / higher by Rs. 24.5 million net off charge for SWWF in respect of element of income / loss and consequently NAV per unit would have been lower by Rs. 1.015. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders'.

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

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:

a) Financial instruments at fair value through profit or loss

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

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

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

b) Available-for-sale

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

c) Loans and receivables

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

Recognition

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

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

Measurement

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

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

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

Fair value measurement principles

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

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

Basis of valuation of Government Securities

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

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

4.3 Securities under repurchase / resale agreements

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

4.4 Impairment

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

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

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

4.5 Derecognition

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

4.6 Offsetting of financial instruments

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

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

4.7 Spread transactions (ready-future transactions)

The Fund enters into transactions involving purchase of an equity security in the ready market and simultaneous sale of the same security in the futures market. The security purchased in ready market is classified as 'financial assets at fair value through profit or loss' and carried on the Statement of Assets and Liabilities at fair value till their eventual disposal, with the resulting gain / loss taken to the Income Statement. The forward sale of the security in the futures market is treated as a separate derivative transaction and is carried at fair value with the resulting gain / loss taken to the Income Statement in accordance with the requirements of International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement.'

4.8 Securities under Margin Trading System (MTS)

Transactions for purchase of marketable securities under Margin Trading System (MTS) are entered into at contracted rates for specified period of time. Securities purchased under the MTS are not recognized in the statement of assets and liabilities. The amount paid under such agreement is recognized as 'Receivable against Margin Trading System (MTS)'. Profit is recognized on accrual basis using the effective interest rate method. Cash releases are adjusted against the receivable as reduction in the amount of receivable. The maximum maturity of a MTS is 60 calendar days and 25% of the exposure is released automatically at the expiry of every 15th calendar month.

4.9 Financial liabilities

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

4.10 Accrued expenses and other liabilities

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

4.11 Provisions

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

4.12 Other assets

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

4.13 Taxation

Current

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

Deferred

"The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilized tax losses to the extent that it is no longer probable that the related tax benefit will be realized. However, the Fund has not recognized any amount in respect of deferred tax in these financial statements as the Fund and intends to continue availing the tax exemption in future years as well

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

by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealised, to its unit holders every year.

4.14 Earnings per unit

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

4.15 Net asset value per unit

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

4.16 Unit holders' fund

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

4.17 Issue and redemption of units

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

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

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

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

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

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

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

4.19 Revenue recognition

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

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

- Markup on government securities is recognised on an time proportion basis
- Unrealised gains / (losses) arising on remeasurement of investments classified as 'at fair value through profit or loss' and derivatives are included in the Income Statement in the period in which they arise.
- Profit on bank deposits and term deposit receipts is recognised on time proportion basis.
- Mark up income on Margin Trading System (MTS) is recognised per day using exposure rates affirmed by NCCPL.

4.20 Expenses

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

4.21 Dividend distribution and appropriation

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

4.22 Cash and cash equivalents

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

	Note	2018 (Rupees in '000)	2017
5. BALANCES WITH BANKS			
In current account		1,579	103
In deposit accounts	5.1	644,863	642,390
		646,442	642,493

5.1 These carry mark-up at rates ranging between 3.75% to 9.5% per annum (2017: 3.75% to 8% per annum).

	Note	2018 (Rupees in '000)	2017
6. INVESTMENTS			
<i>At fair value through profit or loss</i>			
Listed equity securities	6.1	-	-
Government securities	6.2	42,927	74,597
Listed debt securities	6.3	170,096	383,330
Unlisted debt securities	6.4	343,529	105,141
		556,552	563,068
<i>Available for sale</i>			
Government securities	6.5	811	19,598
<i>Loans and receivables</i>			
Term deposit receipt		-	200,000
Commercial papers	6.6.1	118,295	195,246
		118,295	395,246
		675,658	977,912

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

6.1 Listed equity securities 'at fair value through profit or loss'

Name of the Investee Company	As at July 1, 2017	Purchases during the year	Sales during the year	As at June 30, 2018	As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as percentage of total paid up capital of the investee company
					Carrying Value	Market value	Appreciation / (diminution)			
Number of shares										
Shares of listed companies - fully paid ordinary shares / certificates of Rs. 10 each										
AUTOMOBILE PARTS & ACCESSORIES										
Loads Limited	-	6,500	(6,500)	-	-	-	-	-	-	-
CABLE & ELECTRICAL GOODS										
Pak Elektron Limited	-	287,500	(287,500)	-	-	-	-	-	-	-
TPL Trakker Limited	-	8,000	(8,000)	-	-	-	-	-	-	-
CEMENT										
D.G Khan Cement	-	255,000	(255,000)	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	67,000	(67,000)	-	-	-	-	-	-	-
Lucky Cement Limited	-	82,500	(82,500)	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	41,000	(41,000)	-	-	-	-	-	-	-
Power Cement Limited	-	4,500	(4,500)	-	-	-	-	-	-	-
Pioneer Cement Limited	-	3,500	(3,500)	-	-	-	-	-	-	-
CHEMICAL										
Descon Oxychem Limited	-	75,500	(75,500)	-	-	-	-	-	-	-
Engro Polymer & Chemicals Limited	-	239,500	(239,500)	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	322,000	(322,000)	-	-	-	-	-	-	-
COMMERCIAL BANKS										
Bank Alfalah Limited	-	503,500	(503,500)	-	-	-	-	-	-	-
Askari Bank Limited	-	49,500	(49,500)	-	-	-	-	-	-	-
ENGINEERING										
International Steels Limited	-	36,500	(36,500)	-	-	-	-	-	-	-
Amreli Steels Limited	-	5,000	(5,000)	-	-	-	-	-	-	-
Alisha Steel Mills Limited	-	141,500	(141,500)	-	-	-	-	-	-	-
International Industries Limited	-	8,000	(8,000)	-	-	-	-	-	-	-
Crescent Steel & Allied Product	-	18,500	(18,500)	-	-	-	-	-	-	-
FERTILIZER										
Engro Fertilizer Limited	-	10,500	(10,500)	-	-	-	-	-	-	-
Engro Corporation Limited	-	2,000	(2,000)	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	500	(500)	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	6,500	(6,500)	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	4,500	(4,500)	-	-	-	-	-	-	-
FOOD AND PERSONAL CARE PRODUCTS										
Engro Foods Limited	-	20,000	(20,000)	-	-	-	-	-	-	-
Treet Corporation Limited	-	6,500	(6,500)	-	-	-	-	-	-	-

Name of the Investee Company	As at July 1, 2017	Purchases during the year	Sales during the year	As at June 30, 2018	As at June 30, 2018			Market value as a percentage of total investments	Market value as a percentage of net assets	Market value as a percentage of total paid up capital of the investee company
					Carrying Value	Market value	Appreciation / (diminution)			
INSURANCE										
* Adamejee Insurance Company Limited	-	2,000	(2,000)	-	-	-	-	-	-	-
OIL & GAS EXPLOURATION COMPANY										
Pakistan Oilfields Limited	-	10,000	(10,000)	-	-	-	-	-	-	-
Oil & Gas Development Company Limited	-	45,500	(45,500)	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	11,500	(11,500)	-	-	-	-	-	-	-
OIL & GAS MARKETING COMPANIES										
Pakistan State Oil Company Limited	-	18,500	(18,500)	-	-	-	-	-	-	-
Sui Northern Gas Pipe Line Limited	-	22,500	(22,500)	-	-	-	-	-	-	-
Sui Southern Gas Co. Limited	-	21,000	(21,000)	-	-	-	-	-	-	-
POWER GENERATION AND DISTRIBUTION										
Hub Power Company Limited	-	3,500	(3,500)	-	-	-	-	-	-	-
K-Electric Limited (Par value of Rs. 3.5 each)	-	84,875	(84,875)	-	-	-	-	-	-	-
PHARMACEUTICALS										
The Searle Company Limited	-	18,000	(18,000)	-	-	-	-	-	-	-
REFINERY										
BYCO Petroleum Pakistan Limited	-	122,500	(122,500)	-	-	-	-	-	-	-
National Refinery Limited	-	27,500	(27,500)	-	-	-	-	-	-	-
	-	500	(500)	-	-	-	-	-	-	-
TECHNOLOGY & COMMUNICATION										
P.T.C.L. "A"	-	16,500	(16,500)	-	-	-	-	-	-	-
TRG Pakistan Limited	-	104,500	(104,500)	-	-	-	-	-	-	-
TEXTILE COMPOSITE										
* Nishat Chunian Limited	-	215,000	(215,000)	-	-	-	-	-	-	-
* Nishat Mills Limited	-	221,000	(221,000)	-	-	-	-	-	-	-
Gul Ahmed Textile Mills Limited	-	50,000	(50,000)	-	-	-	-	-	-	-
TRANSPORT										
Pakistan International Bulk Terminal Limited	-	74,500	(74,500)	-	-	-	-	-	-	-
Total at June 30, 2018					-	-	-	-	-	-
Total at June 30, 2017					-	-	-	-	-	-

* These represent transactions with related parties.

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

6.2 Government securities - at fair value through profit or loss

Tenure	Issue Date	Face value			At June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2017	Purchases during the year	Sales / matured during the year	At June 30, 2018	Carrying value	Market value		
----- (Rupees in '000) -----								----- % -----	
*Treasury bills - 3 months									
Treasury Bills	April 04, 2017	25,000	-	(25,000)	-	-	-	-	-
Treasury Bills	December 10, 2017	-	15,000	(15,000)	-	-	-	-	-
Treasury Bills	January 18, 2018	-	150,000	(150,000)	-	-	-	-	-
Treasury Bills	July 12, 2017	-	65,000	(65,000)	-	-	-	-	-
Treasury Bills	February 02, 2018	-	150,000	(150,000)	-	-	-	-	-
Treasury Bills	January 02, 2018	-	15,000	(15,000)	-	-	-	-	-
Treasury Bills	December 04, 2018	-	25,000	(25,000)	-	-	-	-	-
Treasury Bills	March 08, 2017	-	50,000	(50,000)	-	-	-	-	-
Treasury Bills	June 07, 2018	-	25,000	-	25,000	24,724	24,728	4	2
Treasury Bills	May 25, 2017	50,000	-	(50,000)	-	-	-	-	4
Treasury bills - 6 months									
Treasury Bills	June 7, 2017	-	50,000	(50,000)	-	-	-	-	-
Pakistan Investment Bonds - 15 Years									
Pakistan Investment Bonds	January 20, 2003	-	18,000	-	18,000	18,283	18,199	(84)	1.35
As at June 30, 2018						43,007	42,927	(80)	2.69
As at June 30, 2017						74,599	74,597	(2)	

* This is pledged with National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in terms of Circular no. 11 dated October 23, 2007 issued by the Securities and Exchange Commission of Pakistan.

6.3 Listed debt securities

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Market value as at June 30	6.3.1	242,666	455,900
Provision on July 1		(72,570)	(69,814)
Provision (charged) / reversed during the year			
Pace Pakistan Limited		-	12,220
- Reversal against carrying value matured		-	(14,976)
- Charge against face value receivable			
Provision on June 30		(72,570)	(72,570)
Book value as at June 30		170,096	383,330

6.3.1 Listed debt securities - Term Finance Certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates					At June 30, 2018			Market value**** as a percentage of net assets	Market value**** as a percentage of total investment
	At July 1, 2017	Purchased during the year	Matured during the year	Disposed off during the year	At June 30, 2018	Carrying value***	Market value	Appreciation / (diminution)		
-----Rupees in '000----- % -----										
Commercial Banks										
Askari Bank Limited (30-9-14 issue)	15,000	8,300	-	(15,000)	8,300	41,463	41,457	(6)	3	6
Askari Bank Limited (23-12-11 issue)	82	-	-	(82)	-	-	-	-	0	0
Bank Alfalah Limited (20-02-13 issue)	11,581	-	-	(5,000)	6,581	33,777	33,024	(753)	2	5
Bank of Punjab (23-12-16 issue)**	975	-	-	-	975	98,562	95,615	(2,947)	7	14
Habib Bank Limited (19-02-16 issue)	1,250	-	-	(1,250)	-	-	-	-	0	0
Real Estate investment and services										
Pace Pakistan Limited (15-02-08 issue)	15,000	-	-	-	15,000					
- Redeemable amount						-	-	-	-	-
- Due but not received						72,570	72,570	-	-	-
						72,570	72,570	-		
						246,372	242,666	(3,706)		
As at June 30, 2018										
As at June 30, 2017						454,491	455,900	1,409		

** Face value of the investment is Rs. 100,000

*** Carrying value before provision

**** Market value after provision

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

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
6.4 Unlisted debt securities			
Term finance certificate	6.4.1	353,780	115,392
Provision against Eden Housing Limited		(10,251)	(10,251)
Book value as at June 30		<u>343,529</u>	<u>105,141</u>

6.4.1 Term Finance Certificates

Certificates have a face value of Rs 5,000 each unless stated otherwise

Name of investee company	Number of Certificates					As at June 30, 2018			Market value** as a percentage of net assets	Market value** as a percentage of total investment
	As at July 1, 2017	Purchased during the year	Matured during the year	Disposed during the year	As at June 30,2018	Carrying value*	Market value	Appreciation / (diminution)		
----- Rupees in '000 -----										
----- % -----										
Commercial Banks										
Bank Al Habib Limited (17-03-16 issue)	9,000	8,000	-	-	17,000	85,628	84,807	(821)	6.28	12.55
Jahangir Siddiqui & Company Limited (18-07-2017 issue)	-	25,000	-	-	25,000	125,000	125,460	460	9.29	18.57
Dawood Hercules Corporation Limited (16-11-2017 issue)	-	1,770	-	450	1,320	132,000	132,264	264	9.80	19.58
Construction and Material										
Byco Petroleum Limited (18-01-2017 issue)	-	10	-	-	10	1,000	998	(2)	0.07	0.15
Eden Housing Limited - Sukuk - (31-03-2008 issue)										
- Due but not received	10,415	-	-	-	10,415	10,251	10,251	-	-	-
Total as at June 30, 2018						353,879	353,780	(99)		
Total as at June 30, 2017						114,278	115,392	1,114		

* Carrying value before provision

** Market value after provision

6.5 Government securities - Available for sale

Issue date	Issue Date	Face value				At June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2017	Purchases during the year	Sales / matured during the year	At June 30,2018	Cost	Market value	Appreciation		
----- (Rupees in '000) ----- % -----										
Pakistan Investment Bonds - 5 Years										
Pakistan Investment Bond	July 18, 2013	400	400	400	400	420	401	(19)	0.03	0.06
Pakistan Investment Bond	March 26, 2015	400	-	-	400	431	410	(21)	0.03	0.06
Pakistan Investment Bonds - 15 Years										
Pakistan Investment Bond	January 20, 2003	18,000	-	18,000	-	-	-	-		
As at June 30, 2018						851	811	(40)		
As at June 30, 2017						19,117	19,598	481		

6.6 Loans and receivables

6.6.1 Commercial papers

Particulars	Profit / mark- up rates	Issue date	Maturity date	Face value	Amortised cost	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
----- Rupees in '000 -----							
Pak Elektron Limited	7.72%	14-Dec-17	18-Sep-18	120,000	118,295	0.09	0.18
As at June 30, 2018				<u>120,000</u>	<u>118,295</u>		
As at June 30, 2017				<u>200,000</u>	<u>195,246</u>		

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

	Note	2018 (Rupees in '000)	2017
6.7 Net unrealised (diminution) / appreciation in value of investments at fair value through profit or loss			
Market value of investments	6.2, 6.3.1, 6.4.1	639,373	645,889
Carrying value of investments	6.2, 6.3.1, 6.4.1	643,258	643,368
		(3,885)	2,521
6.8 Net unrealised diminution in value of investments classified as available for sale			
Market value of investments	6.5	811	19,598
Carrying value of investments	6.5	851	19,117
		(40)	481
Less: Net unrealised appreciation / (diminution) in value of investments classified as available for sale at beginning of the year	6.5	(481)	(3,535)
		(521)	(3,054)

7. DETAILS OF NON-COMPLIANT INVESTMENT WITH THE INVESTMENT CRITERIA AS SPECIFIED BY SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

"In accordance with Clause (v) of the investment criteria laid down for 'Income Scheme' in Circular no. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2018, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance of the Circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by respective issuer in repayment of coupon due on respective dates. The Fund holds 100% provision against such investment as enumerated below:"

Category of non-compliant investment	Type of Investment/ Name of Company	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in debt	a) Pace Pakistan Limited (note 6.3)	72,570	72,570	-	5.38	5.25
	b) Eden Housing Limited (note 6.4)	10,251	10,251		0.76	0.74

	2018 (Rupees in '000)	2017
8. DIVIDEND AND PROFIT RECEIVABLE		
Income accrued / profit on:		
Term finance certificates	9,172	7,133
Government securities	756	756
Bank deposits	3,292	4,579
Term deposit receipts	-	1,104
Dividend receivable from equity securities	-	282
Profit receivable against margin trading system	-	9
	13,220	13,863

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

9. ADVANCES, DEPOSITS AND PREPAYMENTS		2018 (Rupees in '000)	2017
Advance tax	9.1	282	213
Deposits with:			
- National Clearing Company of Pakistan Limited	9.2	2,500	2,500
- Central Depository Company of Pakistan Limited	9.3	200	200
Prepayments		72	152
		3,054	3,065

9.1 This represents advance tax deducted in respect of profit on bank deposits, coupon income of debt securities and income on MTS transaction. During the year advance tax deducted amounted to Rs. 69,000 (2017: Rs. 46,000)

9.2 This represents deposit in respect of Bond Automated Trading System (BATS).

9.3 This represents of initial deposit for opening of investor account for electronic transfer of book-entry securities.

10. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2018 (Rupees in '000)	2017
Provision for Sindh workers' welfare fund	10.1	5,037	3,173
Provision for federal excise duty and related taxes on	10.2		
- Management fee		16,590	16,590
- Sales load		4,746	4,746
Brokerage		24	1,089
Capital gain tax		85	1,058
Auditors' remuneration		360	419
Printing and related expenditure		40	80
Zakat		-	1
Other		280	2,672
		27,162	29,828

10.1 Provision for Workers' Welfare Fund / Sindh Workers' Welfare Fund

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

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

The Sindh Revenue Board (SRB) had asked to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are

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

neither financial institutions as required by SWWF Act, 2014, nor establishments but only pass through vehicles and hence, do not have any worker and no SWWF is payable by them. This fact has been communicated to SRB who have responded on November 11, 2016 that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds from SWWF continue. The aggregated balance of SWWF in the book of accounts of funds as of June 30, 2018 is Rs. 5.04 million. Had this provision not been made, the NAV of the fund would have been higher by Rs. 0.21.

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

10.2 Federal Excise Duty and related tax payable

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

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

The SHC vide its Order dated June 30, 2016 has disposed of the petition by referring its judgment dated June 02, 2016 whereby it rendered the FED on certain services to be 'Ultra Vires' in the presence of Sindh Sales Tax Act 2011. However, the Federal Board of Revenue (FBR) has filed an appeal in the Supreme Court of Pakistan against this judgment of the SHC.

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

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2015. However, the Management Company of the Fund has not made any further provision for FED after the year ended June 30, 2015. The aggregate balance of FED provision in the books of accounts of the Fund as on June 30, 2018 was Rs. 21.34 million. The impact of decrease in NAV per unit is Rs. 0.88 as at June 30, 2018.

11. CONTINGENCIES AND COMMITMENTS

There are no contingencies as at June 30, 2018 and June 30, 2017 other than those disclosed in note 10.1 and 10.2

	Note	2018 (Rupees in '000)	2017
11.1 Commitments			
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at period end		-	17,881
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at period end		-	8,232
12. REMUNERATION OF MANAGEMENT COMPANY			
Management fee	12.1	<u>18,854</u>	<u>33,688</u>

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

- 12.1** Under the provisions of the NBFC Regulations, 2008, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund of an amount not exceeding 3% percent of the average annual net assets of the Fund and thereafter, of an amount equal to 2% percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. Management company has charged the fee at the lower of 15% of the gross earnings of the scheme calculated on a daily basis not exceeding the maximum rate of remuneration permitted under the Rules & Regulations. Provided that Fund is subject to a minimum fee of 0.25% of the average daily net assets of the Scheme.

	Note	2018 (Rupees in '000)	2017
13. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	13.1	<u>2,412</u>	<u>2,920</u>

- 13.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The following tariff structure as amended by the Trustee of the Fund vide Trust deed dated May 18, 2015, is applicable based on net assets of the Fund.

Amount of funds under management (Average NAV)	Tariff per annum
Up to Rs. 1 billion	0.17% p.a. of Net Assets
Rs. 1 billion to Rs. 5 billion	Rs. 1.7 million plus 0.085% p.a. of Net Assets exceeding Rs. 1 billion
Over Rs. 5 billion	Rs. 5.1 million plus 0.07% p.a. of Net Assets exceeding Rs. 5 billion

14. SINDH SALES TAX ON REMUNERATION OF TRUSTEE

The Sindh Revenue Board through Circular No. SRB-3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services within the purview of Sindh Sales Tax. Accordingly Sindh Sales Tax of 13 % is applicable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill 2010 amended upto 2016.

	2018 (Rupees in '000)	2017
15. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE		
Annual fee	<u>1,378</u>	<u>1,826</u>

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

16. ALLOCATED EXPENSES

Reimbursement of fees and expenses	1,838	2,435
Sindh Sales Tax on allocated expenses	<u>239</u>	<u>317</u>
	<u>2,077</u>	<u>2,752</u>

SRO 1160 dated November 25, 2015 issued by SECP has amended Clause 60 of NBFC Regulations, 2008. The new regulation has entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less. Accordingly, the Fund is charging such expenses at a rate of 0.1% of average annual net assets which is less than the actual expenses allocable to the Fund.

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

	2018	2017
	(Rupees in '000)	
17. AUDITORS' REMUNERATION		
Annual audit fee	297	275
Half yearly review fee	181	160
Other certifications	54	100
Out of pocket expenses	57	57
	589	592

18. TAXATION

- 18.1** The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed to the unit holders in cash. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Subsequent to year end on July 5, 2018, Management Company has distributed cash dividend of at least 90 percent of the aforementioned accounting income to the unit holders. Accordingly, no provision for taxation has been recognised in these financial statements.

19. EXPENSE RATIO

The expense ratio of the Fund for the year is 1.83%, the total expense ratio includes 0.34% representing government levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an aggressive fixed income fund.

20. TRANSACTIONS WITH CONNECTED PERSONS

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with the market rates.

Remuneration of the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.

The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period end, other than those which have been disclosed elsewhere in these financial statements

are as follows:

20.1 Transactions during the period with connected persons / related parties in units of the Fund:

	For the Year Ended ended June 30, 2018									
	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at June 30, 2018
	Units					(Rupees in '000)				
Associated Companies:										
Adamjee Life Assurance Company Limited - Conventional Business	206,090	-	-	206,090	-	10,943	-	-	11,478	-
Adamjee Insurance Company Limited - Employees Provident Fund	819,194	-	-	819,194	-	43,496	-	-	44,628	-
Mandate Under Discretionary Portfolio Services	2,050,076	1,267,673	-	1,802,039	1,515,710	113,189	68,358	-	99,640	84,637
Key management personnel	-	98,796	-	98,796	-	-	5,322	-	5,375	-
Unit holders holding 10% or more units										
Security General Insurance Company Ltd	5,839,596	3,704,760	-	5,614,456	3,929,900	310,057	200,000	-	300,000	219,445

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

	For the Year Ended ended June 30, 2017									
	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at June 30, 2017	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at June 30, 2017
	Units					(Rupees in '000)				
Associated Companies:										
Adamjee Life Assurance Company Limited - Conventional Business	198,375	7,715	-	-	206,090	10,546	409	-	-	10,943
Adamjee Insurance Company Limited - Investment Department	6,409,782	-	-	6,409,782	-	340,744	-	-	342,475	-
Adamjee Insurance Company Limited - Employees Provident Fund	1,590,592	1,630,388	-	2,401,786	819,194	84,556	88,209	-	131,067	43,496
Adamjee Insurance Company Limited - Employees Gratuity Fund	342,744	-	-	342,744	-	18,220	-	-	18,409	-
Nishat Mills Limited Employee - Provident Fund Trust	-	5,152,202	-	5,152,202	-	-	283,400	-	284,797	-
Mandate Under Discretionary Portfolio Services	2,820,760	28,470,333	-	27,755,229	3,535,864	149,898	1,547,986	-	1,516,645	187,740
Key management personnel	5,324	170,418	-	175,742	-	283	9,298	-	9,636	-
Unit holders holding 10% or more units										
Security General Insurance Company Ltd	-	11,395,443	-	5,555,847	5,839,596	-	616,385	-	309,663	310,058

2018 **2017**
(Rupees in '000)

20.2 Details of transactions with connected persons are as follows:

MCB - Arif Habib Savings and Investments Limited - Management Company

Remuneration including indirect taxes	21,305	38,067
Allocated expenses including indirect taxes	2,077	2,752

Central Depository Company of Pakistan Limited - Trustee

Remuneration and settlement charges for the year	2,726	3,300
CDS charges	358	749

MCB Bank Limited

Profit on bank deposits	51	722
Bank charges	27	48
Sale of money market securities - Face value: Rs. 140,000,000	139,082	-

Silk Bank Limited

Profit on bank deposits	6,561	-
Bank charges	30	-
Sale of money market securities - Face value: (2017: Rs. 250,000,000)	-	238,360

D.G. Khan Cement Company Limited

Sale of shares: 255,000 (2017: 534,500)	37,825	-
Purchase of Shares: 255,000 (2017: 534,500)	37,824	-
Dividend income	139	-

Nishat Mills Limited

Sale of shares: 221,000 (2017: 628,000)	30,383	104,736
Purchase of Shares: 221,000 (2017: 628,000)	31,310	104,736
Dividend income	1,042	-

Fatima Fertilizer Co. Limited

Sale of shares: 500 (2017: 39,000)	16	1,388
Purchase of Shares: 500 (2017: 39,000)	16	1,388

Nishat Chunian Limited

Sale of shares: 215,000 (2017: 2,316,000)	11,496	142,426
Purchase of Shares: 215,000 (2017: 2,316,000)	11,582	142,426
Dividend income	152	217

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

	2018	2017
	(Rupees in '000)	
Adamjee Insurance Company Limited - Employee Gratuity Fund		
Redemption of Nil units (2017: 342,744 units)	-	18,409
Adamjee Insurance Company Limited - Investment Department		
Redemption of Nil units (2017: 342,744 units)	-	342,475
Arif Habib Limited		
Brokerage	3	-
Next Capital Limited		
Brokerage	4	48
Nishat Mills Limited Employees - Provident Fund Trust		
Issue of units (2017: 5,152,202 units)	-	283,400
Redemption of units (2017: 5,152,202 units)	-	284,797
20.3 Amounts outstanding at year end	2018	2017
	(Rupees in '000)	
MCB - Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	1,170	1,651
Sale tax payable on remuneration to the Management Company	152	215
Sales load payable	2	76
Sindh Sales tax payable on sales load	-	11
Allocated expenses payable excluding related taxes	115	162
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes payable	168	208
Sindh Sales tax payable on remuneration of Trustee	22	27
Security deposits	200	2,700
MCB Bank Limited		
Bank balance	1,599	148
Profit receivable on bank deposits	-	-
Silk Bank Limited		
Bank deposit held	364,904	
Accrued profit on bank profit	1,171	-

21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & ACCA	21
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	15
Mr. Saad Ahmed	Head of Fixed Income	MBA	13
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	7
Mr. Syed Muhammad Usama	Manager - Fixed Fund	B- COM, Master & Economic- I	15

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

21.1 Mr. Saad Ahmed is the fund manager. Details of the other funds being managed by him are as follows:

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

22. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID	2018 (Percentage)
1 Adam Securities Private Limited	35.27
2 Multiline Securities Private Limited	18.69
3 First Capital Securities Limited	9.63
4 MRA Securities Limited	8.77
5 EFG Hermes Pakistan Limited	7.55
6 Al Falah Securities Private Limited	7.15
7 Aba Ali Habib Securities Limited	7.09
8 Top Line Securities Private Limited	5.20
9 Summit Capital Private Limited	0.50
10 Intermarket Securities Limited	0.15

	2017 (Percentage)
1 Adam Securities (Private) Limited	12.68
2 MRA Securities Limited	12.42
3 EFG Hermes Pakistan Limited	12.27
4 Aba Ali Habib Securities Limited	11.59
5 Intermarket Securities Limited	7.16
6 Al Falah Securities (Private) Limited	6.79
7 Multiline Securities (Private) Limited	5.97
8 JS Global Capital Limited	5.24
9 Summit Capital (Private) Limited	4.12
10 Invest Capital Markets Limited	3.59

23. PATTERN OF UNIT HOLDINGS

	As at June 30, 2018		
	Number of unit holders	Number of units	Investment amount (Rupees in '000')
			Percentage investment %
Individuals	801	12,181,708	680,226
Retirement funds	22	3,522,477	196,695
Associated company	-	-	-
Others	23	8,471,941	473,072
	846	24,176,126	1,349,993
			100

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

	As at June 30, 2017			
	Number of	Number of	Investment	Percentage
	unit holders	units	amount	investment
			(Rupees in '000')	%
Individuals	831	17,184,726	912,435	54.05
Retirement funds	16	3,570,400	189,572	11.23
Associated company	2	1,025,284	54,439	3.22
Others	16	10,012,471	531,620	31.49
	865	31,792,881	1,688,066	100.00

24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Names of directors attending the meetings	Designation	Number of meetings held	Number of meetings			Meetings not attended
			Attendance required	Attended	Leave granted	
Mr. Mian Mohammad Mansha	Chairman	9	9	4	5	134th, 135th, 136th, 138th and 142nd
Mr. Nasim Beg	Director	9	9	9	-	-
Dr. Syed Salman Ali Shah	Director	9	9	7	2	134th and 138th
Mr. Haroun Rashid	Director	9	9	6	3	135th, 136th and 142nd
Mr. Ahmed Jahangir	Director	9	9	9	-	-
Mr. Samad A. Habib	Director	9	9	5	4	134th, 136th, 138th and 139th
Mr. Muhammad Saqib Saleem	Chief Executive Officer	9	9	9	-	-
Mr. Mirza Qamar Beg	Director	9	9	7	2	138th and 142nd

25. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and price risk), credit risk and liquidity risk. 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 Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund primarily invests in a portfolio of money market investments such as investment grade debt securities, government securities and investments in other money market instruments.

25.1 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.

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

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

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

25.1.1 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.

25.1.2 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 as well as floating rate debt securities that expose the Fund to cash flow and fair value interest rate risk due to fluctuation in prevailing levels of market interest rates.

As at June 30, 2018, the investment in debt securities exposed to interest rate is detailed in Note 6.2, 6.3, 6.4 and 6.5 to these financial statements.

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based interest bearing term finance certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date of these term finance certificates, with all other variables held constant, the net assets of the Fund and net income for the year would have been lower / higher by Rs. 1.35 million (2017: Rs. 10.4 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds government securities which are classified as at fair value through profit or loss and available-for-sale exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan (FMAP) on June 30, 2018, with all other variables held constant, total comprehensive income for the year and net assets would be higher by Rs. 1.74 million (2017: higher by Rs. 3.79 million).

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

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

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

June 30, 2018						
	Yield / effective interest rate (%)	Up to three months	More than three months and up to	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 9.5%	644,863	-	-	1,579	646,442
Investments						
at fair value through profit and loss - net						
- Government securities	5% to 9%	24,728	-	18,199	-	42,927
- Listed debt securities	7.68% to 8.02%	-	-	170,096	-	170,096
- Unlisted debt securities	7.23% to 7.6%	-	-	343,529	-	343,529
Available for sale						
- Government securities	9.25% to 11.5%	-	-	811	-	811
Loans and receivables						
- Commercial papers	7.72%	118,295	-	-	-	118,295
		143,023	-	532,635	-	675,658
Dividend and profit receivable		-	-	-	13,220	13,220
Security deposits		-	-	-	2,700	2,700
Receivable against marginal trading system		-	-	-	-	-
Receivable from National Clearing Company of Pakistan Limited		-	-	-	22,963	22,963
Receivable against sale of equity securities		-	-	-	-	-
		787,886	-	532,635	40,462	1,360,983
Financial Liabilities						
Payable to Management Company		-	-	-	2,535	2,535
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	190	190
Payable on redemption of units		-	-	-	2,079	2,079
Accrued expenses and other liabilities		-	-	-	704	704
		-	-	-	5,508	5,508
On-balance sheet gap		787,886	-	532,635	34,954	1,355,475
Off-balance sheet financial instruments		-	-	-	-	-

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

June 30, 2017

	Yield / effective interest rate (%)	Up to three months	More than three months and up to	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 8%	642,390	-	-	103	642,493
Investments						
at fair value through profit and loss - net						
- Government securities	5.77% to 5.97%	74,597	-	-	-	74,597
- Listed debt securities	7.26% to 8.64%	-	383,330	-	-	383,330
- Unlisted debt securities	6.53% to 8.36%	-	105,141	-	-	105,141
Available for sale						
- Government securities	6.01% to 9%	-	-	19,598	-	19,598
Loans and receivables						
- Term deposit receipt	6.50%	200,000	-	-	-	200,000
- Commercial papers	7.90%	-	195,246	-	-	195,246
		274,597	683,717	19,598	-	977,912
Dividend and profit receivable		-	-	-	13,863	13,863
Security deposits		-	-	-	2,700	2,700
Receivable against marginal trading system		-	-	-	10,919	10,919
Receivable against National Clearing						
Company of Pakistan Limited		-	-	-	48,021	48,021
Receivable against sale of equity securities		-	-	-	66,813	66,813
		916,987	683,717	19,598	142,419	1,762,721
Financial Liabilities						
Payable to Management Company		-	-	-	2,753	2,753
Payable to Central Depository Company						
of Pakistan Limited - Trustee		-	-	-	235	235
Payable on redemption of units		-	-	-	2,079	2,079
Payable against purchase of equity securities					39,299	39,299
Accrued expenses and other liabilities		-	-	-	4,260	4,260
		-	-	-	48,626	48,626
On-balance sheet gap		916,987	683,717	19,598	93,793	1,714,095
Off-balance sheet financial instruments		-	-	-	-	-

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

25.1.3 Price risk

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

25.2 Credit risk

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

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

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

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

	2018	2017
	(Rupees in '000)	
Balances with banks	646,442	642,493
Investments	631,920	883,717
Dividend and profit receivables	13,220	13,863
Security deposits	2,700	2,700
Advance against subscription of Term Finance Certificate	22,000	1,000
Receivable against marginal trading system	-	10,919
Receivable from National Clearing Company of Pakistan Limited	22,963	48,021
Receivable against sale of equity securities	-	66,813
	1,339,245	1,669,526

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

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

Bank Balances by rating category

	2018 ----- % -----	2017 ----- % -----
AAA / A1+	1.5	2.83
AA+ / A1+	0.6	13.15
AA- / A1+	0.1	73.16
A+ / A1	19.5	0.01
A / A1	0.0	10.72
A- / A-2	78.3	0.13
	<u>100</u>	<u>100</u>

The analysis below summarizes the credit quality of the Fund's investment in term finance certificates and sukuk, term deposit receipts and government securities.

Investments by rating category

	2018 ----- % -----	2017 ----- % -----
Government Securities	6.5	9.63
AA, AA-, AA+	93.5	90.37
	<u>100</u>	<u>100</u>

Investment in fixed income securities

Investment in treasury bills 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.

Security deposits

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

Concentration of credit risk

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

Settlement risk

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

25.3 Liquidity risk

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

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

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

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

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

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

June 30, 2018				
	Up to three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in'000) -----			
Payable to Management Company	2,535	-	-	2,535
Payable to Central Depository Company of Pakistan Limited - Trustee	190	-	-	190
Payable on redemption of units	2,079	-	-	2,079
Accrued expenses and other liabilities	704	-	-	704
	5,508	-	-	5,508
June 30, 2017				
	Up to three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in'000) -----			
Payable to Management Company	2,753	-	-	2,753
Payable to Central Depository Company of Pakistan Limited - Trustee	235	-	-	235
Payable on redemption of units	2,079	-	-	2,079
Payable against purchase of equity securities	39,299			39,299
Accrued expenses and other liabilities	4,260	-	-	4,260
	48,626	-	-	48,626

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

25.4 Financial instruments by category

June 30, 2018				
	Loans and receivables	Assets classified as Available for sale	Assets classified at fair value through profit and loss	Total
Financial assets	----- (Rupees in'000) -----			
Balances with banks	646,442	-	-	646,442
Investments	118,295	811	556,552	675,658
Dividend and profit receivable	13,220	-	-	13,220
Advance against subscription of Term Finance Certificate	22,000	-	-	22,000
Advances, deposits and prepayments	2,700	-	-	2,700
Receivable from National Clearing Company of Pakistan	22,963	-	-	22,963
	825,620	811	556,552	1,382,983

June 30, 2018			
	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Financial liabilities	----- (Rupees in'000) -----		
Payable to Management Company	-	2,535	2,535
Payable to Central Depository Company of Pakistan Limited- Trustee	-	190	190
Payable against redemption of units	-	2,079	2,079
Accrued expenses and other liabilities	-	27,162	27,162
	-	31,966	31,966

June 30, 2017				
	Loans and receivables	Assets classified as Available for sale	Assets classified at fair value through profit and loss	Total
Financial assets	----- (Rupees in'000) -----			
Balances with banks	642,493	-	-	642,493
Investments	395,246	19,598	563,068	977,912
Dividend and profit receivable	13,863	-	-	13,863
Advances, deposits and prepayments	2,700	-	-	2,700
Advance against subscription of Term Finance Certificate	1,000	-	-	1,000
Receivable against marginal trading system	10,919	-	-	10,919
Receivable from National Clearing Company of Pakistan	48,021	-	-	48,021
Receivable against sale of equity securities	66,813	-	-	66,813
	1,181,055	19,598	563,068	1,763,721

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

	June 30, 2017		
	Liabilities at fair value through profit and loss	Other financial liabilities	Total
Financial liabilities	(Rupees in '000)		
Payable to Management Company	-	2,753	2,753
Payable to Central Depository Company of Pakistan Limited- Trustee	-	235	235
Payable against redemption of units	-	2,079	2,079
Payable against purchase of equity securities	-	39,299	39,299
Accrued expenses and other liabilities	-	4,260	4,260
	-	48,626	48,626

25.5 Fair value of financial instruments

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

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

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

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

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

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

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

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

	June 30, 2018			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
ASSETS				
Investments classified at fair value through profit and loss	513,625	42,927	-	556,552
Investments classified as available for sale	-	811	-	811
	513,625	43,738	-	557,363

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

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Investments classified at fair value through profit and loss	488,471	74,597	-	563,068
Investments classified as available for sale	-	19,598	-	19,598
	488,471	94,195	-	582,666

26. UNIT HOLDERS' FUND RISK MANAGEMENT

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

The Fund's capital is represented by redeemable units. The Fund has no restrictions on the subscription and redemption of units. The Fund is required by the NBFC Regulations, 2008, to maintain minimum fund size to Rs. 100 million during the life of the scheme. The units issued by the Fund provides an investor with the right to require redemption for cash at a value proportionate to the unit holder's share in the Fund'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.

	2018 (Rupees in '000)	2017 (Rupees in '000)
27. Cash and cash equivalents at end of the year		
Balances with banks	646,442	642,493
Treasury bills - 3 months	24,728	74,597
	<u>671,170</u>	<u>717,090</u>

28. NON ADJUSTING EVENT AFTER REPORTING DATE

The Board of Directors of the Management Company in its meeting held on July 4, 2018 has proposed a final cash distribution of Rs. 2.7329 per unit. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of the final distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.

29. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

30. DATE OF AUTHORIZATION 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
561	0-10000	1,369,442
246	10001 - 100000	6,979,848
37	100001 - 1000000	10,416,980
2	1000001 - Onwards	5,409,995
<u>846</u>		<u>24,176,126</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	1,350	1,688	2,463	969	1,677
Net Assets value per unit – Rupees	55.8399	53.0958	53.16	53.00	51.05
Closing Offer Price	57.1019	54.2958	54.60	54.45	52.46
Closing Repurchase Price	55.8399	53.0958	53.16	53.00	51.05
Highest offer price per unit	57.1019	57.0442	58.76	60.30	53.02
Lowest offer price per unit	54.3263	54.2372	54.45	52.46	51.56
Highest Redemption price per unit	55.8399	55.7835	57.21	58.69	51.59
Lowest Redemption price per unit	53.1257	53.0385	53.01	51.06	50.79
Distribution per unit – Rs. *		2.75	4.25	5.00	3.80
Average Annual Return - %					
One year	5.17	5.06	8.33	13.63	8.73
Two year	5.12	6.70	10.98	11.18	7.97
Three year	6.19	9.01	10.23	9.85	9.45
Net Income for the year – Rs. in million	66.27	63.88	80.05	117.66	98.30
Distribution made during the year – Rs. in million	-	6.76	102	82	98.30
Accumulated Capital Growth – Rs. in million	66.27	57.12	(21.48)	36.12	-
Weighted average Portfolio Duration (years)	2.0	2.20	2.20	3.50	1.9

*** Date of Distribution**

2017	
Date	Rate
June 21, 2017	2.75

2016	
Date	Rate
June 25, 2016	4.25

2015	
Date	Rate
June 22, 2015	5.00

2014	
Date	Rate
July 25, 2013	0.29
August 23, 2013	0.30
September 25, 2013	0.32
October 25, 2013	0.32
November 25, 2013	0.33
December 24, 2013	0.30
January 24, 2014	0.39
February 25, 2014	0.35
March 25, 2014	0.36
April 25, 2014	0.42
May 25, 2014	0.42

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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