



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 CAPITAL MARKET 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 Standard Chartered Bank Bank Al Habib Limited Faysal Bank Limited United Bank Limited Allied Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited National Bank of Pakistan	
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 Capital Market Fund's** 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.

EQUITIES MARKET OVERVIEW

Equities turned red after a span of nearly 9 years, as the benchmark index lost ~10% during the year. Both economic and political factors continued to haunt the investors; with the dominant theme prevailing around the external account crisis. Foreigners' in view of weak currency, kept offloading local equities, selling USD 288 mn of stocks which was mainly absorbed by Insurance companies (~USD 204 Mn) and Companies (~USD 100 Mn). Trading volumes during the year averaged around 174 mn shares/ USD 8.15 bn depicting a massive decline of ~49%/47% YoY respectively.

Cyclicals had the worst year as emerging concerns on the economic growth kept the investors at bay. Cement and Autos were major laggards as they lost ~42% and 30% respectively. Cements declined due to increasing coal prices and imminent supply additions in the sector. While, Autos lost mainly due to a weak local currency along with negative sentiments emanating post budget due to government's announcement of barring non-filers from purchasing vehicles. Power sector shrank by ~20% due to rising circular debt resulting in non-payment of dividends by some companies and shut-down of some FO plants post government orders. E&Ps and Fertilizers were the only major sectors providing positive return, gaining 20% and 3% respectively. Against the market movement, E&Ps posted a considerable gain of ~20% YoY due to surge in average oil prices by 29%. Fertilizer rallied due to improved sector dynamics in the form of comfortable inventory levels and enhanced pricing power of the manufacturers being reflected in increased fertilizer prices post-budget.

FUND PERFORMANCE

During the period under review, the fund posted a return of -3.21% compared to the return of -4.32% posted by the benchmark.

On the equities front, the overall allocation was extensively increased to 65.8%. This increase is attributable to the exposure in Oil & Gas Exploration Companies, Cement and Commercial Banks.

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

On the fixed income side, the fund had decreased its exposure in T-Bills to 0.0% and shifted its exposure towards cash to benefit from attractive rates offered by banks.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 619 million as compared to Rs. 675 million as at June 30, 2017 registering an decrease of 8.30%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 11.16 as compared to opening NAV of Rs. 11.53 per unit as at June 30, 2017 showing a decrease of Rs. 0.37 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.

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

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

- but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
 - k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
 - l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2018:

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

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

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

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

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

External Auditors

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

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

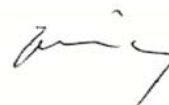
ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 14, 2018



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

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

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

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس دوران سال ریٹائر ہو گئے ہیں اور 30 جون 2019 کو اختتام پذیر ہونے والے سال کے لئے فنڈ کے خارجی آڈیٹرز کے طور پر ”اے ایف فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس“ کی تقرری کی گئی ہے۔ ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے بھی فنڈ کے آڈیٹرز کے طور پر کام کرنے کے لئے رضامندی کا اظہار کیا ہے۔

اظہار تشکر

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



نسیم بیگ

ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء

ڈائریکٹرز رپورٹ

- اینڈریکولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انسٹیٹیوٹس ریکولیشنز، 2008ء، متعلقہ ڈسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرئل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔
- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریننگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

1. آڈٹ کمیٹی کی میٹنگ

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

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

2. ہیومن ریسورس اینڈ رمیو نیشن کمیٹی کی میٹنگ

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

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

ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی تنظیمیں کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکوز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طریقہ 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 (اوپر ترین سطح سے تقریباً 20% کم) سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوئی ہے، اور دورانی اسٹاکس کی کارکردگی کی بھی عکاسی ہوئی ہے جہاں اسٹاکس 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 اسٹاکس میں ترقی بتدریج ظاہر ہوگی جب اعتماد بحال ہوگا اور معاشی پالیسیاں حالات کو توقعات کے مطابق ڈھالیں گی۔ چنانچہ آگے بڑھتے ہوئے اسٹاکس 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 کر ان کے مطابق اپنے دائرہ کار میں تبدیلیاں لا رہے 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 سیکیورٹی 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 ڈائریکٹر 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 شقوں کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے لیے پُر عزم ہے جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

- مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- فنڈ کی دُست گیس 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 (اسٹبلشمنٹ

ایکویٹیز مارکیٹ کا مجموعی جائزہ

ایکویٹیز تقریباً 9 سال کے عرصے کے بعد خطرے کی حدود میں آگئیں کیونکہ انڈیکس کے مقررہ معیار میں دوران سال 10% کمی ہوئی۔ معاشی اور سیاسی، دونوں عوامل نے سرمایہ کاروں کو پریشان کیے رکھا جن میں اہم ترین موضوع خارجی اکاؤنٹ کا بحران تھا۔ کمزور روپے کے پیش نظر غیر ملکی سرمایہ کار مقامی ایکویٹیز سے دستبردار ہوتے رہے، اور 288 ملین ڈالر مالیت کے اسٹاکس فروخت کیے جن کا زیادہ تر اثر انشورنس کمپنیوں (204 ملین ڈالر) اور کمپنیوں (100 ملین ڈالر) نے قبول کیا۔ دوران سال تجارتی حجم کا اوسط تقریباً 174 ملین حصص / 8.15 بلین ڈالر تھا، جو بالترتیب 49% / YoY 47% کی بڑی کمی تھی۔

Cyclicals کے لیے یہ بدترین سال تھا کیونکہ معاشی ترقی کے حوالے سے بڑھتے ہوئے خدشات کے باعث سرمایہ کاروں کی حوصلہ شکنی ہوئی۔ سیمنٹ اور آئوز بالترتیب 42% اور 30% کمی کے باعث پسماندہ ترین شعبے تھے۔ سیمنٹ کے شعبے میں پسماندگی کی وجہ کوئلے کی بڑھتی ہوئی قیمتیں اور فراہمیوں میں اضافہ ہے، جبکہ آئوز میں پسماندگی کے بنیادی عوامل کمزور روپیہ، اور بجٹ کے بعد ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے گاڑیوں کی خریداری پر پابندی کے حکومتی اعلان سے پیدا ہونے والے منفی جذبات ہیں۔

بجلی کے شعبے میں 20% کمی ہوئی جس کا سبب یہ تھا کہ گردشی قرضوں میں اضافے کی وجہ سے کچھ کمپنیوں نے ڈیویڈنڈ کی ادائیگی نہیں کی اور حکومتی احکام کے بعد کچھ FO پلانٹس بند کر دیئے گئے۔ صرف E&Ps اور فریٹلائزرز کے شعبوں میں بالترتیب 20% اور 3% ترقی ہوئی۔ E&Ps نے مارکیٹ کی صورتحال کے برخلاف YoY 20% منافع دیا جس کی وجہ تیل کی اوسط قیمتوں میں 29% اضافہ ہے۔ فریٹلائزرز میں ترقی کا سبب اس شعبے کے عوامل میں بہتری ہے، اور اس کے اسباب یہ ہیں کہ انوینٹری باسہولت سطحوں پر رہی، اور مینوفیکچررز کے قیمتیں طے کرنے کے اختیار میں اضافہ ہوا جس کی عکاسی بجٹ کے بعد فریٹلائزرز کی قیمتوں میں اضافے سے ہوئی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا منافع 3.21% تھا جبکہ مقررہ معیار 4.32% تھا۔ ایکویٹیز کے رُخ پر مجموعی شمولیت کو وسیع پیمانے پر بڑھا کر 65.8% کر دی گیا۔ یہ اضافہ آئل اینڈ گیس ایکسپلوریشن کمپنیوں، سیمنٹ اور کمرشل بینکوں میں کیا گیا۔ مقررہ آمدنی کی جہت میں فنڈ کی ٹی بلز میں شمولیت کو کم کر کے 0.0% کر دیا گیا اور فنڈ کی طرف مائل کیا گیا تاکہ بینکوں نے جن پُرکشش شرحوں کی پیشکش کی تھی اُن سے فائدہ اٹھایا جاسکے۔

30 جون 2018ء کو فنڈ کے net اثاثہ جات 619 ملین روپے تھے، جو 30 جون 2017ء کو 675 ملین روپے کے مقابلے میں 8.30% کمی ہے۔ 30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 11.16 روپے تھی، جو 30 جون 2017ء کو 11.53 روپے ابتدائی NAV کے مقابلے میں 0.37 روپے فی یونٹ کمی 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

بورڈ آف ڈائریکٹرز کی جانب سے پاکستان کیپٹل مارکیٹ فنڈ کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار زر کا جائزہ

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

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

خارجی شعبہ نازک مقام رہا کیونکہ کرنٹ اکاؤنٹ کے اب تک کے سب سے زیادہ خسارے کے ساتھ ساتھ دو جہتی اور کثیر الجہتی، دونوں قسم کے اداروں کی جانب سے مالیاتی آمدورفت کے باعث ڈالر میں قلت ہو گئی ہے۔ کرنٹ اکاؤنٹ کا خسارہ 18 بلین ڈالر تک پہنچ گیا، یعنی GDP کا تقریباً 5.8%، جو معیشت کے لیے خطرے کی گھنٹی ہے۔ اس کے نتیجے میں مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 6.5 بلین ڈالر کم ہو کر 9.7 بلین ڈالر رہ گئے، جس سے صرف 2.0x درآمداتی تلافی فراہم ہوئی۔ مجموعی طور پر اگلے مالی سال کی دوسری سہ ماہی کے دوران پاکستان ایک 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، ریٹیل انٹریسٹ کی گھٹتی ہوئی شرحیں، اور تیزی سے بڑھتی ہوئی درآمدات ہیں۔ انٹریسٹ کی شرحوں میں تیز رفتار اضافے کے امکانات کے باعث بانڈ کی آمدنی کا خم اوپر کی طرف گیا، خصوصاً مالی سال 2018ء کی دوسری سہ ماہی کے دوران۔ تجارتی خسارے میں اضافے کی رفتار خوفناک حد تک تیز رہی جس کے باعث غیر ملکی زرمبادلہ کے ذخائر متاثر ہوئے اور سرمایہ کاروں نے طویل المیعاد سیکیورٹیز میں دلچسپی کا اظہار نہیں کیا۔ میچورٹی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹر ریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹر بانڈ کی سب سے پہلی نیلامی میں 174 بلین روپے کی بھرپور شرکت دیکھی گئی جس میں سے 20 بلین روپے پنچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی۔ زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سسٹم کا اجراء نہیں کیا گیا۔

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

Fund Type and Category

Pakistan Capital Market Fund (PCMF) is an Open-End Balanced Scheme

Fund Benchmark

The benchmark for Pakistan Capital Market Fund is KSE 100 Index and Six (6) months KIBOR rates on the basis of actual proportion held by the Scheme

Investment Objective

The objective of the Fund is to maximize returns available from Pakistan's capital market by investing the Fund Property in equity as well as debt instruments while diversifying the risk within the market.

Investment Strategy

Pakistan Capital Market Fund (PCM) is an open-end balanced fund that invests in a range of asset classes such as equity and debt in Pakistani market. The asset allocation to equities and debt is made on the basis of relative attractiveness of each asset class. The investment process is driven by fundamental research. For equities investment, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. For debt investment, interest rate outlook is the key determining factor and allocation to this segment is increased when the yields are comparatively higher compared to the total returns on equities. Investment is made in corporate bonds (investment grade) and government bonds. Cash is kept in deposits with highly rated banks. PCM is a long only Fund and cannot undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

Manager's Review

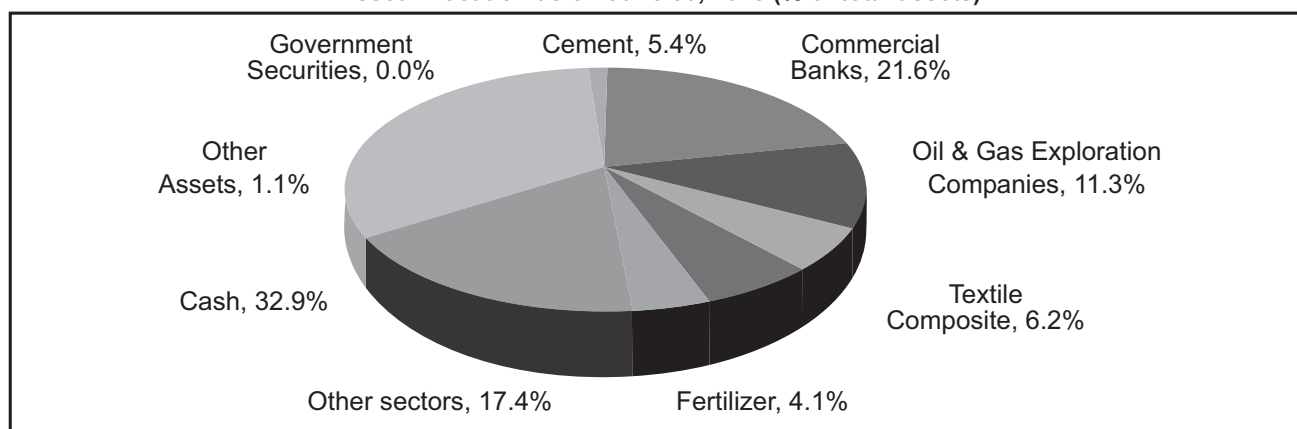
During the period under review, the fund posted a return of -3.2% compared to the return of -4.32% posted by the benchmark.

On the equities front, the overall allocation was extensively increased to 65.8%. This increase is attributable to the exposure in Oil & Gas Exploration Companies and Commercial Banks.

On the fixed income side, the fund had decreased its exposure in T-Bills to 0% and shifted its exposure towards cash to benefit from attractive rates offered by banks.

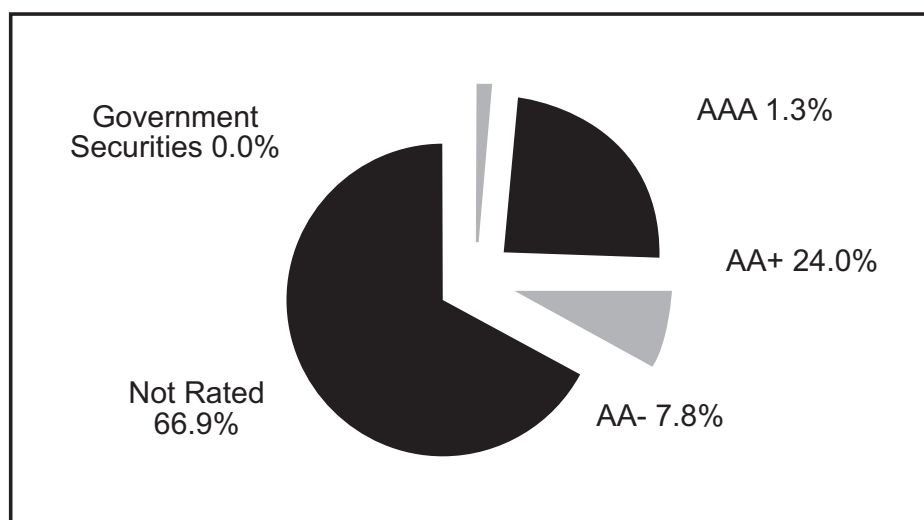
The Net Assets of the Fund as at June 30, 2018 stood at Rs. 619 million as compared to Rs. 675 million as at June 30, 2017 registering a decrease of 8.30%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 11.16 as compared to opening NAV of Rs. 11.53 per unit as at June 30, 2017 showing a decrease of Rs. 0.37 per unit.

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



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

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



Syed Abid Ali
Fund Manager

Karachi: September 14th, 2018

TRUSTEE REPORT TO THE UNIT HOLDERS

CENTRAL DEPOSITORY COMPANY
OF PAKISTAN LIMITED

Head Office:

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



TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CAPITAL MARKET 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 Capital Market 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
Karachi-75350
Pakistan

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF PAKISTAN CAPITAL MARKET FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pakistan Capital Market 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. 422.93 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 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

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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	
	<p>The Fund invests in financial instruments that comprise available for sale investments in equity 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 quoted market prices at the stock exchange.</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</p>	<p>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.</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 24.</p>

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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>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>	

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

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

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

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

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

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

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

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

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:

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

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

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

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

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

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

Place: Karachi

Date: 14 SEP 2018

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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	210,758	204,777
Investments	6	422,928	468,729
Receivable against sale of investments		-	10,154
Dividend and profit receivables	7	2,422	2,800
Advances, deposits and prepayments	8	5,067	6,049
Total assets		641,175	692,509
LIABILITIES			
Payable to Management Company		1,372	1,549
Payable to Central Depository Company of Pakistan Limited - Trustee		119	128
Payable to Securities and Exchange Commission of Pakistan		536	568
Payable against purchase of investment		6,325	-
Payable against redemption of units		216	216
Accrued expenses and other liabilities	9	14,028	14,866
Total liabilities		22,596	17,327
NET ASSETS		618,579	675,182
Unit holders' funds (as per statement attached)		618,579	675,182
Contingencies and commitments	10		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		55,412,733	58,575,216
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	4.13	11.16	11.53

The annexed notes from 1 to 27 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			
Capital gain on sale of investments - net		12,366	138,037
Dividend income		14,093	18,303
Income from government securities		6,101	8,322
Income from term finance certificate		73	-
Income from pre IPO Sukuk		-	32
Income from term deposit receipts		1,460	743
Profit on bank deposits		9,404	4,517
Income on deposit with NCCPL against exposure margin		16	14
Income from money market placement		432	-
Unrealised diminution on re-measurement of investments classified at fair value through profit or loss - net	6.6	(25,020)	(1,323)
Total income		18,925	168,645
Reclassification of opening reserve on impairment of available for sale investments		(19,240)	-
Impairment loss on investment in equity securities		(3,757)	-
		(22,997)	-
EXPENSES			
Remuneration of Management Company	11	12,604	13,373
Sindh Sales tax and Federal Excise Duty on remuneration of Management Company		1,639	1,739
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	1,260	1,337
Sales tax on remuneration of the trustee	13	164	174
Securities and Exchange Commission of Pakistan - annual fee	14	536	568
Allocated expense	15	712	756
Marketing and selling expense		138	-
Securities transaction cost		2,545	3,209
Settlement and bank charges		588	699
Fees and subscription		199	207
Auditors' remuneration	16	512	609
Printing and related cost		-	362
Legal and professional charges		150	60
Total expenses		(21,047)	23,093
Net (loss) / income from operating activities		(25,119)	145,552
Net element of income and capital gains included in prices of units issued less those in units redeemed		-	(991)
Reversal of provision for Workers' Welfare Fund		-	6,831
Net (loss) / income for the year before taxation		(25,119)	151,392
Taxation	17	-	-
Net (loss) / income for the year after taxation		(25,119)	151,392
Allocation of net (loss) / income for the year:			
Net loss for the year		-	-
Income already paid on units redeemed		-	-
		-	-
Accounting income available for distribution:			
- Relating to capital gains		-	-
- Excluding capital gains		-	-
Accounting income available for distribution		-	-
Earnings per unit	4.12		

The annexed notes from 1 to 27 form an integral part of these financial statements.

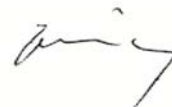
**For MCB-Arif Habib Savings and Investments Limited
(Management Company)**



Chief Executive Officer



Chief Financial Officer



Director

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

	2018	2017
	(Rupees in '000)	
Net income for the year after taxation	(25,119)	151,392
Other comprehensive income for the year		
<i>Items that may be reclassified to profit and loss account</i>		
Unrealised appreciation / (diminution) in value of investments classified as available for sale' - net	2,824	(5,885)
Total comprehensive income for the year	(22,295)	145,507

The annexed notes from 1 to 27 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For the Year Ended June 30,				
	2018				2017
	(Rupees in '000)				
	Capital Value	Undistributed income	Unrealised appreciation / (diminution) 'available for sale' investments	Total	Total
Net assets at beginning of the period	607,888	68,003	709	675,182	626,922
Issuance of 8,462,293 units (2017: 28,510,841 units)					
- Capital value (at net asset value per unit at the beginning of the period)	97,570	-	-	97,570	
- Element of income	(1,734)	-	-	(1,734)	
Total proceeds from issuance of units	95,836	-	-	95,836	347,560
Redemption of 11,624,776 units (2017: 28,568,399 units)					
- Capital value (at net asset value per unit at the beginning of the year of Rs. 11.53 / unit)	(134,034)	-	-	(134,034)	
- Amount paid out of element of income					
- Relating to 'net income for the period after taxation'	3,890	-	-	3,890	
- Relating to 'other comprehensive income for the period'	-	-	-	-	
- Refund / (adjustment) on units as element of income	-	-	-	-	
Total payments on redemption of units	(130,144)	-	-	(130,144)	(352,979)
Element of income / loss and capital gains / losses included in prices of units issued less those in units redeemed - net	-	-	-	-	991
Total comprehensive income for the period	-	(25,119)	2,824	(22,295)	145,507
Distribution during the period	-	-	-	-	(92,819)
Net (loss) / income for the period less distribution	-	(25,119)	2,824	(22,295)	52,688
Net assets at end of the period	573,580	42,884	2,115	618,579	675,182
Undistributed income brought forward					
- Realised		72,282			(137,052)
- Unrealised		(4,279)			150,336
		68,003			13,284
Accounting income available for distribution					
- Relating to capital gains		-			
- Excluding capital gains		-			(3,854)
Net (loss) / income for the period after taxation		(25,119)			151,392
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		-			-
Distribution during the period		-			(92,819)
Undistributed income carried forward		42,884			68,003
Undistributed income carried forward					
- Realised		67,904			72,282
- Unrealised		(25,020)			(4,279)
		42,884			68,003
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				11.53	10.69
Net assets value per unit at end of the period				11.16	11.53

The annexed notes from 1 to 27 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

CASHFLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
A. CASH FLOWS FROM OPERATING ACTIVITIES			
Net (loss) / income for the year		(25,119)	151,392
Adjustments for:			
Unrealised diminution in value of investments classified as at fair value through profit or loss - net		25,020	1,323
Net element of (income) / loss and capital (gains) / losses in prices of units issued less those in units redeemed			
Arising from realised / unrealised (capital gain) / loss		-	(638)
Arising from other than capital gain / (loss) and unrealised gain / (loss)		-	1,629
Reclassification adjustment relating to impairment of investments classified as available for sale		19,240	-
Impairment loss on investment in equity securities		3,757	-
Net reversal of provision for Workers' Welfare Fund		-	(6,831)
		22,898	146,875
Decrease / (increase) in assets			
Investments		608	90,396
Receivable against sale of investment		10,154	(10,154)
Dividend and profit receivables		378	(1,201)
Advances deposits and prepayments		982	(992)
		12,122	78,049
Increase / (decrease) in liabilities			
Payable to Management Company		(177)	217
Payable to Central Depository Company of Pakistan Limited - Trustee		(9)	9
Payable to Securities and Exchange Commission of Pakistan		(32)	(79)
Payable against purchase of investment		6,325	-
Payable against redemption of units		-	(1,002)
Accrued expenses and other liabilities		(838)	(1,958)
		5,269	(2,813)
Net cash generated from operating activities	A	40,289	222,111
B. CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Distribution		-	(92,819)
Receipt from issuance of units		95,836	347,560
Payment against redemption of units		(130,144)	(352,979)
Net cash used in financing activities	B	(34,308)	(98,238)
Net increase in cash and cash equivalents during the year	A+B	5,981	123,873
Cash and cash equivalents at beginning of the year		204,777	80,904
Cash and cash equivalents at end of the period		210,758	204,777

The annexed notes from 1 to 27 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 Capital Market Fund (the Fund) was established under 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 on October 27, 2003. The Investment Adviser of Pakistan Capital Market Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake investment advisory services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003. Pakistan Capital Market Fund as a closed-end scheme was authorized by SECP on November 5, 2003. During the year 2005, the Fund was converted from a closed-end scheme to an open-end scheme.
- 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 has been categorised as "Balanced Scheme" and offers units for public subscription on continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The Fund is listed on Pakistan Stock Exchange.
- 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 purchase transactions.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned as asset manager of "AM2++" dated December 27, 2017 to the Management Company and long term performance rating of 4-star and short term performance rating of 4-star to the Fund dated May 24, 2018.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. STATEMENT OF COMPLIANCE

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

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

Key requirements of IFRS 9:

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

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

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

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

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

Classification and measurement

As at June 30, 2018 the fund has investment in listed equity securities and unlisted debt securities classified as 'at Fair Value Through Profit or Loss' and listed equity securities classified as 'Available-for-sale'. These investment in Fair Value Through Other Comprehensive Income and Fair Value Through Profit or Loss would be measured as follows:

- 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;
- Unlisted debt securities classified as 'at Fair value through Profit or Loss' investments carried at fair value as disclosed in note 6.3: 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;
- Listed shares classified as available-for-sale investments carried at fair value as disclosed in note 22: these shares 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;

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

- 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	

2.4 Standards, interpretations and amendments to published approved accounting standards 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
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.

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

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 16 'Leases': This standard will supersede IAS 17 'Leases' upon its effective date.	
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 01, 2019
Certain annual improvements have also been made to a number of IFRSs.	
Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:	
<ul style="list-style-type: none"> - 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 areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised by the management in application of accounting policies principally relate to classification, valuation and impairment of investments (refer note 4.1).

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. SIGNIFICANT 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 Changes 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 loss of the Fund would have been lower by Rs. 1.93 million consequently NAV per unit would have been higher by Rs. 0.03. there would be no effect on NAV per unit. However, the change in accounting policy does not have any impact on the 'Cash Flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion

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

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. However, Management Company believes that the requirement to disclose allocation of Net income for the year in the income statement showing separately the 'income already paid on units redeemed' and accounting income available for distribution' is not applicable in the period / year when the Fund has incurred loss, accordingly, such allocation has not been disclosed in the Income Statement.

4.2 Financial assets

The Fund classifies its financial assets in the following categories:

a) 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 as 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 as 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 amortised 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. In case of equity security classified as available for sale, a significant or prolonged decline in fair value below its cost is objective considered as evidence of impairment. If any such impairment exists for available for sale financial assets, cumulative gains or losses previously recognised in other comprehensive income are reclassified to Income Statement in the period.

Any subsequent decrease in impairment loss on debt securities classified as available-for-sale is recognised in Income Statement. However, any subsequent recovery in the fair value of an impaired available for sale equity security is recognised in other comprehensive income.

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 the 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

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

rewards of ownership of the financial asset are transferred.

4.6 Offsetting of financial instruments

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

4.7 Financial liabilities

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

4.8 Accrued expenses and other liabilities

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

4.9 Provisions

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

4.10 Other assets

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

4.11 Taxation

Current

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) 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, like in current year, intends to continue availing the tax exemption in future years as well by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealised, to its unit holders every year.

4.12 Earnings per unit

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

4.13 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing

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

the net assets of the Fund by the number of units in circulation at the year end.

4.14 Unit holders' fund

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

4.15 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for applications received by 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.

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

An equalisation account called the element of income / (loss) 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.

Element of income / (loss) 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 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 assets 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.

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

4.17 Revenue recognition

- Gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Income on reverse repurchase transactions and debt securities (including government securities) is recognised on a time proportion basis using effective interest rate method.
- Markup on government securities is recognised on an accrual basis.
- Unrealised gains / (losses) arising on valuation / 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.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit on bank deposits is recognised on time proportion basis.

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

4.18 Expenses

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

4.19 Dividend distribution and appropriation

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

4.20 Cash and cash equivalents

Cash and cash equivalents comprise of 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.

5. BALANCES WITH BANKS	Note	2018 (Rupees in '000)	2017
In current accounts		4,996	6,757
In deposit accounts	5.1	205,762	198,020
		<u>210,758</u>	<u>204,777</u>

5.1 These accounts carry profit at the rate ranging from 3.75% to 7.35% (2017: 3.75% to 6.18%) per annum.

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

2018
(Rupees in '000)

2017
(Rupees in '000)

Note

6. INVESTMENTS

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

Listed equity securities	6.1	409,902	211,352
Government securities	6.2	-	148,851
Unlisted debt security	6.3	998	-
		410,900	360,203

Loans and receivable

Term deposit receipt	6.4	-	50,000
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Available for sale

Listed equity securities	6.5	12,028	58,526
		422,928	468,729

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 period	Bonus / right issue during the period	Sales during the period	As at June 30, 2018	As at June 30, 2018			Market value as a percentage of total investments	Market value as a percentage of capital of the investee company
						Carrying Value	Market value	Appreciation / (diminution)		

Rupees in '000' %

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

AUTOMOBILE AND PARTS

Atlas Honda Limited	19,300	-	-	-	19,300	11,658	9,843	(1,815)	1.59	2.33	0.02
Ghandhara Industries Limited	9,500	-	-	9,500	-	-	-	-	-	-	-
Hinopak Motors Limited	4,440	-	-	4,440	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Ltd XD	-	20,000	-	20,000	-	-	-	-	-	-	-
Millat Tractors Limited	-	9,000	-	-	9,000	12,150	10,693	(1,457)	1.73	2.53	0.02
						23,808	20,536	(3,272)	3.32	4.86	

CABLE & ELECTRICAL GOODS

Pak Elektron Limited	139,000	245,000	-	384,000	-	-	-	-	-	-	-
						-	-	-	-	-	-

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	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						-Rupees in '000 -						%					
CEMENT																	
Deewan Cement Limited	-	250,000	-	250,000	-	-	-	-	-	-	-	-	-	-	-	-	-
** D.G. Khan Cement Company Limited	-	370,200	-	370,200	-	-	-	-	-	-	-	-	-	-	-	-	-
Fauji Cement Company Limited	150,000	450,000	-	600,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Kohat Cement Limited	48,000	105,000	-	68,000	85,000	12,756	10,461	(2,295)	1.69	2.47	0.06						
Lucky Cement Limited	23,100	84,000	-	59,000	48,100	30,779	24,431	(6,348)	3.95	5.78	0.01						
Maple Leaf Cement Factory Limited	-	372,000	-	372,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Pioneer Cement Limited	-	17,000	-	17,000	-	-	-	-	-	-	-	-	-	-	-	-	-
** Thatta Cement Company Limited	70,000	-	-	70,000	-	-	-	-	-	-	-	-	-	-	-	-	-
						43,535	34,892	(8,643)	5.64	8.25							
COMMERCIAL BANKS																	
Allied Bank Limited	200	70,000	-	70,200	-	-	-	-	-	-	-	-	-	-	-	-	-
Habib Bank Limited	-	561,600	-	278,600	283,000	52,823	47,103	(5,720)	7.62	11.14	0.02						
** MCB Bank Limited	2,500	140,000	-	-	142,500	30,269	28,182	(2,087)	4.56	6.66	0.01						
Habib Metropolitan Bank Limited	-	225,500	-	225,500	-	-	-	-	-	-	-	-	-	-	-	-	-
Askari Bank Limited	-	432,500	-	-	432,500	9,316	9,459	143	1.53	2.24	0.03						
* Bank Alfalah Limited	-	734,500	-	-	734,500	32,921	38,407	5,486	6.21	9.08	0.05						
Bank of Punjab	-	852,500	-	-	852,500	9,562	10,290	728	1.66	2.43	0.03						
Faysal Bank Limited	-	1,100,000	165,000	1,256,500	8,500	173	221	48	0.04	0.05	0.00						
JS Bank Limited	-	385,000	-	385,000	-	-	-	-	-	-	-	-	-	-	-	-	-
Bank Al Habib Limited	-	297,000	-	297,000	-	-	-	-	-	-	-	-	-	-	-	-	-
United Bank Limited	-	235,000	-	205,000	30,000	4,960	5,069	109	0.82	1.20	0.00						
						140,024	138,731	(1,293)	22.43	32.79							

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at June 30, 2018	As at June 30, 2018				Rupees in '000'				Market value as a percentage of total paid up capital of the investee company	
						Carrying Value	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total paid up capital of the investee company				
CHEMICALS															
Lotte Chemical Pakistan	-	500,000	-	-	500,000	6,138	5,980	(158)	0.97	1.41					0.03
Engro Polymer & Chemicals Limited	282,000	598,500	-	507,000	373,500	12,610	11,713	(897)	1.89	2.77					0.06
Engro Polymer & Chemicals Limited (right)	-	-	64,195	8	64,187	-	566	566	0.09	0.13					0.03
						18,748	18,259	(489)	2.95	4.32					
ENGINEERING															
International Industries Limited	55,500	4,300	-	58,900	900	313	209	(104)	0.03	0.05					0.00
International Steels Limited	50,000	-	-	50,000	-	-	-	-	-	-					-
Crescent Steel and Allied Product	-	5,000	-	5,000	-	-	-	-	-	-					-
Amreli Steel Limited	-	100,500	-	100,500	-	-	-	-	-	-					-
Mughal Iron and Steel Industries Limited	135,500	214,500	-	264,000	86,000	5,192	5,282	90	0.85	1.25					0.03
						5,505	5,491	(14)	0.89	1.29					
FERTILIZER															
Engro Fertilizer Limited	-	386,500	-	386,500	-	-	-	-	-	-					-
Engro Corporation Limited	-	176,000	-	176,000	-	-	-	-	-	-					-
Fatima Fertilizer Company Limited	-	216,000	-	-	216,000	6,048	6,998	950	1.13	1.65					0.01
Fauji Fertilizer Company Limited	-	193,000	-	-	193,000	19,015	19,086	71	3.09	4.51					0.02
						25,063	26,084	1,021	4.22	6.16					
GLASS & CERAMICS															
Shabbir Tiles & Ceramics Limited	260,500	-	-	260,500	-	-	-	-	-	-					-
Tariq Glass Industries Limited	107,500	-	-	107,500	-	-	-	-	-	-					-
						-	-	-	-	-					-
INSURANCE															
Pakistan Reinsurance Company Limited	150,000	-	-	150,000	-	-	-	-	-	-					-
						-	-	-	-	-					-
INVESTMENT SECURITIES															
Arif Habib Limited	56,000	-	-	56,000	-	-	-	-	-	-					-
						-	-	-	-	-					-
LEASING COMPANIES															
Orix Leasing Pakistan Limited	80,500	-	-	80,500	-	-	-	-	-	-					-
						-	-	-	-	-					-
LEATHER & TANNERIES															
Bata Pakistan Limited	550	-	-	-	550	1,815	1,045	(770)	0.17	0.25					0.01
Service Industries Limited	8,900	-	-	-	8,900	12,273	6,986	(5,287)	1.13	1.65					0.07
						14,088	8,031	(6,057)	1.30	1.90					

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	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)				
OIL & GAS EXPLORATION COMPANY												
Mari Petroleum Company Limited	200	-	-	200	-	-	-	-	-	-	-	-
* Oil & Gas Development Company Limited	-	367,000	-	187,000	180,000	28,644	28,012	(632)	4.53	6.62	0.00	0.00
Pakistan Oilfields Limited	-	116,850	-	70,000	46,850	30,795	31,473	678	5.09	7.44	0.02	0.02
Pakistan Petroleum Limited	45,030	185,300	-	170,000	60,330	12,866	12,965	99	2.10	3.07	0.00	0.00
						72,305	72,450	145	11.71	17.13		
OIL & GAS MARKETING COMPANIES												
Hi-Tech Lubricants Limited	17,400	-	-	-	17,400	1,897	1,763	(134)	0.29	0.42	0.01	0.01
Sui Northern Gas Pipelines Limited	-	378,000	-	265,000	113,000	13,547	11,325	(2,222)	1.83	2.68	0.02	0.02
						15,444	13,088	(2,356)	2	3		
PHARMACEUTICALS												
AGP Limited	-	162,015	-	161,000	1,015	81	90	9	0.02	0.02	0.00	0.00
The Searle Company Limited	433	-	86	-	519	222	176	(46)	0.03	0.04	0.00	0.00
						303	266	(37)	0.04	0.06		
POWER GENERATION AND DISTRIBUTION												
Hub Power Company Limited	111,000	230,500	-	151,000	190,500	19,680	17,557	(2,123)	2.84	4.15	0.02	0.02
K-Electric Limited (Par value of Rs. 3.5 each)	1,000,000	-	-	1,000,000	-	-	-	-	-	-	-	-
						19,680	17,557	(2,123)	2.84	4.15		
REAL ESTATE INVESTMENT & DISTRIBUTION												
** Dolmen City REIT	249,500	-	-	-	249,500	2,952	3,219	267	0.52	0.76	0.01	0.01
REFINERY												
Attock Refinery Limited	-	18,000	-	18,000	-	-	-	-	-	-	-	-
SUGAR & ALLIED PRODUCTS												
Faran Sugar Mills Limited	44,000	-	-	44,000	-	-	-	-	-	-	-	-
TECHNOLOGY & COMMUNICATION												
Avanceon Limited	-	150,000	-	-	150,000	6,498	9,936	3,438	1.61	2.35	0.11	0.11
Neisul Technologies Limited	50,000	-	-	50,000	-	-	-	-	-	-	-	-
Hum Network Ltd	-	700,000	-	-	700,000	5,950	5,663	(287)	0.92	1.34	0.74	0.74
						12,448	15,599	3,151	3	4		

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at June 30, 2018	As at June 30, 2018				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)	Market value as a percentage of net assets		
Rupees in '000											
TEXTILE COMPOSITE											
Gul Ahmed Textile	-	275,000	-	-	275,000	12,336	11,806	(530)	1.91	2.79	0.08
Khinoor Textile Mills Limited	-	70,000	4,200	-	4,200	7,252	4,060	(3,175)	0.66	0.96	0.02
Nishat Chunian Power Limited	-	100,000	-	100,000	-	-	-	-	-	-	-
Nishat Mills Limited	-	140,600	-	-	140,600	21,430	19,813	(1,617)	3.20	4.68	0.04
						41,018	35,699	(5,319)	5.77	8.44	
Total at June 30, 2018											
						434,921	409,902	(25,018)	66	97	
Total at June 30, 2017											
						212,638	211,352	(1,285)	31.29	44.48	

* he above include shares with a market value aggregating to Rs. 37.26 million (June 30, 2017: Rs. 17.6) which have been 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.

**

6.2 Government securities - 'at fair value through profit or loss'

Tenure	Issue Date	Face value			As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchased during the period	sales / matured during the period	As at June 30, 2018	Carrying value	Appreciation / (diminution)		
(Rupees in '000)									
Treasury bills - 3 months	May 25, 2017	150,000	-	150,000	-	-	-	-	-
	August 17, 2017	-	150,000	150,000	-	-	-	-	-
	November 23, 2017	-	150,000	150,000	-	-	-	-	-
	January 18, 2018	-	150,000	150,000	-	-	-	-	-
	November 23, 2017	-	225,000	225,000	-	-	-	-	-
	February 15, 2018	-	175,000	175,000	-	-	-	-	-
	April 12, 2018	-	175,000	175,000	-	-	-	-	-
	April 26, 2018	-	50,000	50,000	-	-	-	-	-
	June 7, 2018	-	150,000	150,000	-	-	-	-	-

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

6.3 Unlisted debt security - 'at fair value through profit or loss'

Certificates have a face value of Rs 100,000 each

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 period	Matured during the period	Disposed during the period	As at June 30, 2018	Carrying value	Market Value	Appreciation / (diminution)		
Byco Petroleum Pakistan Limited (18-01-2017 issue)	-	10	-	-	10	1,000	998	(2)	0.16	0.24
Total as at June 30, 2018						1,000	998	(2)		
Total as at June 30, 2017						-	-	-		

6.4 Term deposit receipt - Loans and receivables

Particulars	Profit / mark-up rates	Issue date	Maturity date	At June 30, 2018	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
Zarai Taraqiat Bank Limited	0.00%	31-May-17	13-Sep-17	-	0%	0%
As at June 30, 2018					0%	0%
As at June 30, 2017				50,000	7%	11%

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

6.5 Listed equity securities - 'Available for sale'

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

Name of the Investee Company	As at July 1, 2017	Purchases during the period	Bonus / right issue during the period	Sales during the period	As at June 30, 2018	As at June 30, 2018			Market value as percentage of net assets	Market value as a percentage of total investments	Market value as a percentage of total paid up capital of the investee company
						Cost	Market value	Appreciation / (diminution)			
Rupees in '000'											

** These represent transactions with related parties.

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

		2018	2017
	Note	(Rupees in '000)	
6.6 Unrealised diminution in value of investments at fair value through profit or loss - net			
Market value of investments	6.1 & 6.3	410,900	360,203
Carrying value of investments	6.1 & 6.3	(435,919)	(361,526)
		(25,020)	(1,323)
7. DIVIDEND AND PROFIT RECEIVABLES			
Dividends receivable		1,403	1,956
Profit accrued on bank deposits		1,004	830
Accrued profit on term finance certificates		15	14
		2,422	2,800
8. ADVANCES, DEPOSITS AND PREPAYMENTS			
Advance tax	8.1	466	401
Security deposits - National Clearing Company of Pakistan Limited	8.2	4,293	4,293
- Central Depository Company of Pakistan Limited	8.3	300	300
Advance against IPO subscription	8.4	-	1,000
Prepayments		8	55
		5,067	6,049
8.1	This represents advance tax deducted by the bank at the time of receipt of profit on bank deposit. During the year advance tax deducted amounted to Rs. 65,000 (2017: Rs. 22,000)		
8.2	This represents deposit in respect of trading of listed securities.		
8.3	This represents initial deposit for opening of investor account for electronic transfer of book-entry securities.		
8.4	This represents pre IPO of sukuks issued by Byco Oil Pakistan Limited carrying profit of 3 months + 1.05% per annum.		
		2018	2017
	Note	(Rupees in '000)	
9. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Sindh Workers' Welfare Fund	9.1	3,900	3,900
Provision for Federal Excise Duty and related tax	9.2		
- On management fee		5,872	5,872
- Sales load		393	393
Legal and professional charges		63	54
Withholding tax		24	111
Dividend		2,784	2,784
Auditors' remuneration		314	453
Zakat		1	1
Brokerage		297	838
Other		380	460
		14,028	14,866

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

9.1 Provision for Sindh Workers' Welfare Fund

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

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, MUFAP decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017. The provision reversed on January 12, 2017, amounted to Rs. 10.73 million. This has resulted in an increase in NAV per unit of Rs. 0.2015 on January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. are not 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 as an abundant caution, decided to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The provision made for SWWF on January 12, 2017, amounted to Rs. 2.558 million. This has resulted in a decrease in NAV per unit of Rs. 0.048 on January 12, 2017. The aggregate balance of SWWF in the books of account of the fund as on June 30, 2018 is Rs. 3.9 million. Had this provision not been made the NAV of the fund would have been higher by Rs.0.07 per unit

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

9.2 Federal Excise Duty and related tax payable

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

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

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

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

In view of the pending decision and as a matter of prudence, the Management Company of the Fund has made a provision for FED in the books of account of the Fund with effect from June 13, 2013 to June 30, 2015. However, the Management Company of the Fund has not made any further provision for FED after the year ended June 30, 2015. The aggregate balance of FED provision in the book of accounts of the Fund as on June 30, 2018 is Rs.5.872 million. Had this provision not been made, the NAV of the Fund would have been higher by Rs. 0.11 per unit.

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

10. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2018 and June 30, 2017 other than those disclosed in note 9.1 and note 9.2.

	Note	2018 (Rupees in '000)	2017
11. REMUNERATION OF MANAGEMENT COMPANY			
Management fee	11.1	<u>12,604</u>	<u>13,373</u>

- 11.1** 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 three percent of the average annual net assets of the Fund and thereafter, of an amount equal to two percent of such assets of the Fund and, in any case, it shall not exceed the limit prescribed by the NBFC Regulations, 2008. During the year, the Management Company has charged its remuneration at the rate of 2% (2017: 2%) of the average annual net assets of the Fund. The remuneration is paid to the Management Company on monthly basis in arrears. In 2011, the Provincial Government (Sindh) has levied General Sales Tax currently at the rate of 13% (2017:13%) on the remuneration of the Management Company.

	Note	2018 (Rupees in '000)	2017
12. REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee fee	12.1	<u>1,260</u>	<u>1,337</u>

- 12.1** "The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed as per the tariff specified therein, based on the daily net asset value of the Fund."

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

Tariff per annum

Up to Rs. 1,000 million	Rs. 0.7 million or 0.20% p.a. of Net Assets, whichever is higher
Over Rs. 1,000 million	Rs. 2 million plus 0.10% p.a. of Net Assets exceeding Rs. 1,000 million

The remuneration is paid to the trustee monthly in arrears.

13. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included the custodianship services as well. Accordingly, Sindh Sales Tax of 14% is applicable on Trustee fee which is now covered under section 2(79A) of the Sindh Finance Bill 2010 (amended upto 2015). Accordingly, the Fund has made an accrual at the rate of 13% p.a. (2017: 13%) on account of Sindh Sales Tax on custodianship services.

	Note	2018 (Rupees in '000)	2017
14. SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN - ANNUAL FEE			
Annual fee	14.1	<u>536</u>	<u>568</u>

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

- 14.1** Under the provisions of the NBFC Regulations, the Fund is required to pay as an annual fee to the SECP, an amount equal to 0.085 percent of the average annual net assets of the Fund.

15. ALLOCATED EXPENSE

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

	2018	2017
	(Rupees in '000)	
16. AUDITORS' REMUNERATION		
Annual audit fee	291	291
Half yearly review fee	145	145
Other certifications	-	116
Out of pocket expenses	76	57
	512	609

17. TAXATION

The Fund's income is exempt from Income Tax under Clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (the Ordinance) 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 Ordinance. As the management intends to distribute at least 90% of income earned during current year to the unit holders, no provision for taxation has been made in these financial statement for the year ended June 30, 2018.

18. EXPENSE RATIO

The expense ratio of the Fund from July 1 2017 to June 30, 2018 is 3.34%, the total expense ratio includes 0.38% representing government levy and SECP fee. This ratio is within the maximum limit of 4% of average net assets as prescribed under the NBFC Regulations for a collective investment scheme categorised as an balanced fund.

19. TRANSACTIONS WITH CONNECTED PERSONS

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

Remuneration to the Management Company and the Trustee are determined in accordance with the provisions of the Non-Banking Finance Companies & Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

Details of transactions with connected persons and balances with them at year end are as follows:

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

19.1 Details of the transaction with connected persons	2018 (Rupees in '000)	2017
MCB - Arif Habib Savings and Investments Limited - Management Company		
Remuneration including indirect taxes	14,243	15,112
Allocated Expense including indirect taxes	712	669
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	1,424	1,511
CDS charges	94	224
Arif Habib Limited		
Brokerage *	207	218
Next Capital Limited		
Brokerage *	180	178
Silk Bank Limited		
Sale of securities having face value of Rs.325 million (2017: Rs Nil million)	322,083	-
MCB Bank Limited		
Bank charges	14	17
Dividend income	1,322	565
Mark-up income	76	151
Sale of securities face value of Rs.25 million (2017: Rs 164 million)	24,697	163,605
Purchase of 140,000 (2017: 198,500) shares	29,743	45,247
Sale of Nil (2017: 220,900) shares	-	49,126
Arif Habib Limited		
Purchase of Nil (2017: 122,000) shares	-	12,728
Sale of 56,000 (2017: 66,000) shares	3,104	6,363
Nishat Mills Limited		
Dividend income	100	803
Purchase of 140,600 (2017: 321,500) shares	21,430	48,020
Sale of Nil (2017: 412,500) shares	-	60,845
Nishat (Chunian) Mills Limited		
Dividend income	-	713
Purchase of 100,000 (2017: 454,000) shares	5,400	24,891
Sale of 100,000 (2017: 454,000) shares	5,724	31,951
D.G. Khan Cement Limited		
Dividend income	3	288
Purchase of 370,200 (2017: 362,000) shares	52,926	77,873
Sale of 370,200 (2017: 362,000) shares	51,736	74,370
Lalpir Power Limited		
Sale of Nil (2017: 465,000) shares	-	10,341
Dolmen City REIT		
Dividend income	515	-
Purchase of 250,000 (2017: 410,000) shares	6,718	12,658
Sale of 250,000 (2017: 410,000) shares	4,513	13,371

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

	2018 (Rupees in '000)	2017
Fatima Fertilizer Company Limited		
Purchase of 216,000 (2017: 100,000) shares	6,048	10,476
Sale of Nil (2017: 100,000) shares	-	10,611
Thatta Cement Limited		
Purchase of Nil (2017: 170,000) shares	-	7,185
Sale of 70,000 (2017: 100,000) shares	2,537	4,800
Mughal Iron and Steel Industries Limited		
Dividend income	156	-
Purchase of 214,500 (2017: 135,500) shares	11,901	8,844
Sale of 264,000 (2017: Nil) shares	19,629	-
Pakgen Power Limited		
Dividend income	-	480

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

19.2 Amount outstanding at the year end	2018 (Rupees in '000)	2017
MCB - Arif Habib Savings and Investments limited - Management Company		
Remuneration payable	1,043	1,131
Sales tax payable on management fee	136	147
Sales load payable	3	189
Sindh sales tax payable on sales load	-	26
Allocated expense payable	52	56
Marketing and selling expense	138	-
Central Depository Company of Pakistan Limited-Trustee		
Security deposit	300	300
Remuneration payable	105	113
Sindh sales tax payable on remuneration of trustee	14	15
MCB Bank Limited		
Balance with Bank	3,027	6,152
Profit receivable on bank deposit	38	41
271,000 (2017: 2,600) shares held	-	547
Arif Habib Limited - Brokerage House		
Brokerage payable	-	91
Fatima Fertilizer Company Limited		
216,000 (2017: Nil) shares held	6,998	-
Mughal Iron & Steel		
86,000 (2017: 135,500) shares held	5,282	10,939
Dolmen City REIT		
249,500 (2017: 249,500) shares held	3,219	2,952

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

	2018 (Rupees in '000)	2017
Next Capital Private Limited - Brokerage House		
Brokerage payable	48	63
Thatta Cement Limited		
Nil (2017: 70,000) shares held	-	2,798
Arif Habib Limited		
Nil (2017: 56,000) shares held	-	4,503
Nishat Mills Limited		
140,600 (June 30, 2017: Nil) shares held	19,813	-

19.3 Unit Holder's Fund

June 30, 2018								
As at July 01, 2016	Issued for cash / conversion in transferred in	Redeemed / conversion out / transfer out	As at June 30, 2018		As at July 01, 2017	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	Amount outstanding as at June 30, 2018
(Units)					(Rupees in '000)			
Directors and executives of the Management Company	115,210	38,084	68,274	85,019	331	401	731	949
June 30, 2017								
As at July 01, 2016	Issued for cash / conversion in transferred in	Redeemed / conversion out / transfer out	As at June 30, 2017		As at July 01, 2017	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	Amount outstanding as at June 30, 2018
(Units)					(Rupees in '000)			
Directors and executives of the Management Company	-	511,918	396,708	115,210	-	12,529	50	10,111
Mandate under discretionary portfolio services	-	114,349	114,349	-	-	1,200	1,312	-

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

20. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Names	Designation	Experience in years	Qualification
Muhammad Saqib Saleem	Chief Executive Officer	21	FCA & FCCA
Muhammad Asim	Chief Investment Officer	15	MBA & CFA
Syed Abid Ali	Head of Equities	10	MBA
Saad Ahmed	Head of Fixed Income	13	MBA
Awais Abdul Sattar	Head of Research	07	MBA & CFA
Muhammad Aitazaz Farooqi	Senior Analyst	05	BBA, CFA

20.2 Syed Abid Ali is the Fund Manager. Details of the other funds managed by fund manager are as follows:

- MCB Pakistan Asset Allocation Fund
- MCB Pakistan Stock Market Fund
- Pakistan Pension Fund

21. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2018 (Percentage) %
DJM Securities Private Limited	11.72%
JS Global Capital Limited	8.99%
Arif Habib Limited	8.86%
AL Falaha Securities Private Limited	8.72%
Next Capital Limited	7.74%
Foundation Securities (Private) Limited	6.13%
Intermarket Securities (Private) Limited	5.43%
Elixir Securities Pakistan (Private) Limited	4.99%
Shajar Capital Pakistan (Private) Limited	4.53%
First Capital Securities Limited	4.41%

	2017 (Percentage) %
Arif Habib Limited	7.83%
Insight Securities Limited	5.24%
AKD Securities Limited	5.20%
IGI Finex Securities Limited	5.08%
Taurus Securities Limited	5.70%
Next Capital Limited	6.08%
Foundation Securities (Private) Limited	5.54%
Invest & Finance Securities Limited	4.22%
BIPL Securities Limited	4.69%
Intermarket Securities (Private) Limited	4.09%

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

22. PATTERN OF UNIT HOLDINGS

As at June 30, 2018				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage Investment %
Individuals	2584	51,553,841	575,502	93.04
Insurance companies	2	139,195	1,554	0.25
NBFCs	2	31,029	346	0.06
Others	56	3,688,668	41,177	6.66
	2,644	55,412,733	618,579	100.00

As at June 30, 2017				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage Investment %
Individuals	2,609	54,007,170	622,527	92.20
Insurance companies	2	139,195	1,604	0.24
NBFCs	2	31,029	358	0.05
Others	47	4,397,822	50,693	7.51
	2,660	58,575,216	675,182	100.00

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

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

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

24. FINANCIAL RISK MANAGEMENT

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, 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 mention risks. The Board of Directors of Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund financial assets primarily comprise of balance with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss' and at 'available for sale' and investment in government securities. The Fund also has dividend and profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management Company, Trustee and SECP and accrued and other liabilities.

24.1 Market risk

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

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

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

24.1.1 Currency risk

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

24.1.2 Interest rate risk

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

a) Sensitivity analysis of variable rate instruments

As at June 30, 2018, the Fund hold 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 higher/lower by Rs.20,233 (2017: Nil million).

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2018, fund does not hold any fixed interest based investment

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

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

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

June 30 2018					
	Exposed to Yield / Interest rate risk				Total
	Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to Yield / Interest rate risk
----- Rupees in '000 -----					
On-balance sheet financial instruments					
Financial Assets					
Balances with banks	3.75% to 7.35%	205,762	-	-	4,996
Investments					
at fair value through ' profit and loss					
- Listed equity securities		-	-	-	409,902
- Unlisted debt security	5.99%	-	-	-	998
Available for sale					
- Listed equity securities		-	-	-	12,028
Dividend and profit receivables		-	-	-	2,422
Security deposits		-	-	-	4,593
		<u>205,762</u>	<u>-</u>	<u>-</u>	<u>434,939</u>
					<u>640,701</u>
Financial Liabilities					
Payable to the Management Company		-	-	-	1,043
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	119
Payable against purchase of investment					6325
Accrued expenses and other liabilities		-	-	-	3,838
Payable against redemption of units		-	-	-	216
		<u>-</u>	<u>-</u>	<u>-</u>	<u>11,541</u>
					<u>5,216</u>
On-balance sheet gap		<u>205,762</u>	<u>-</u>	<u>-</u>	<u>423,398</u>
					<u>635,485</u>

There is no off-balance sheet financial instrument as at year ended June 30, 2018.

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

June 30, 2017						
	Yield / effective interest rate (%)	Exposed to Yield / Interest rate risk			Not exposed to Yield/ Interest rate risk	Total
		Up to three months	More than three months and up to one year	More than one year		
On-balance sheet financial instruments		----- Rupees in '000 -----				
Financial Assets						
Balances with banks	3.75% to	198,020	-	-	6,757	204,777
Investments	6.18%					
at fair value through ' profit and loss						
- Listed equity securities		-	-	-	211,352	211,352
- Government securities	5.99%	148,851	-	-	-	148,851
Loans and receivables						
- Term deposit receipt	6.50%	50,000	-	-	-	50,000
Available for sale						
- Listed equity securities		-	-	-	58,526	58,526
Receivable against sale of investments		-	-	-	10,154	10,154
Dividend and profit receivables		-	-	-	2,800	2,800
Security deposits		-	-	-	4,593	4,593
		<u>396,871</u>	<u>-</u>	<u>-</u>	<u>294,182</u>	<u>691,053</u>
Financial Liabilities						
Payable to the Management Company		-	-	-	1,549	1,549
Payable to the Central Depository Company of Pakistan Limited - Trustee		-	-	-	128	128
Accrued expenses and other liabilities		-	-	-	4,589	4,589
Payable against redemption of units		-	-	-	216	216
		<u>-</u>	<u>-</u>	<u>-</u>	<u>6,482</u>	<u>6,482</u>
On-balance sheet gap		<u>396,871</u>	<u>-</u>	<u>-</u>	<u>287,700</u>	<u>684,571</u>

There is no off-balance sheet financial instrument as at year ended June 30, 2017.

24.1.3 Price risk

The Fund is exposed to equity price risk because of equity securities held by the Fund and classified on the balance sheet as at fair value through profit or loss and available-for-sale. To manage its price risk arising from investment in equity securities, the Fund's investment policy, as restricted by the NBFC Regulations, the NBFC Rules, restricts investments in listed shares of one company to 10% of the Fund's net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 30% of the net assets of the Fund or index weight whichever is higher. The Investment Committee and Fund manager closely monitor the security performance and risk assessment with them and accordingly make their investment decision.

In case of 5% increase / decrease in PSX 100 index on June 30, 2018, the net income for the year and net assets would be increase/ decrease by Rs. 21 million (2017: Rs. 14.454 million) as a result of gains / losses on equity securities classified as 'financial assets at fair value through profit or loss' and Other Comprehensive Income and net asset would increase / decrease by Rs. 0.585 million (2017: Rs. 1.05 million) as a result of gains / losses on equity securities classified as 'available for sale'

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

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2018 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE 100 index.

24.2 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 balances with banks, security deposits, profit, dividend and other receivables. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The Fund has adopted a policy of only dealing with creditworthy, reputable and diverse counterparties and investee companies 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 minimize the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

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

	2018 (Rupees in '000)	2017
Balances with banks	210,758	204,777
Dividend and profit receivable	2,422	2,800
Security deposits	4,593	4,593
	217,773	212,170

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

Bank Balances by rating category	2018	2017
		%
AAA / A1+	2.36	3.96
AA+ / A1+	72.55	94.81
AAA / A-1+	0.91	0.00
AA- / A1+	23.82	1.17
AA+ / A-1+	0.37	0.06
	100	100

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

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.

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

Security deposits

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

Other receivables

Other receivable includes dividend receivable, profit receivable on bank deposits and government securities and receivable against sale of investments. These are considered secured by the management and as such the Fund is not materially exposed to credit risk on these financial assets.

Concentration of credit risk

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

Settlement risk

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

24.3 Liquidity risk

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

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

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

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

	2018			
	Up to three months	Over three months and up to one year	More than one year	Total
	----- (Rupees in '000) -----			
Payable to the Management Company	1,043	-	-	1,043
Payable to the Central Depository Company of Pakistan Limited - Trustee	105	-	-	105
Payable against purchase of investment	6,325	-	-	6,325
Payable against redemption of units	216	-	-	216
Accrued expenses and other liabilities	3,838	-	-	3,838
	11,527	-	-	11,527

	2017			
	Up to three months	More than three months and up to one year	More than one year	Total
	----- (Rupees in '000) -----			
Payable to the Management Company	1,549	-	-	1,549
Payable to the Central Depository Company of Pakistan Limited - Trustee	128	-	-	128
Payable against redemption of units	216	-	-	216
Accrued expenses and other liabilities	4,589	-	-	4,589
	6,482	-	-	6,482

24.4 Financial instruments by category

	2018			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	210,758	-	-	210,758
Investments	-	410,900	12,028	422,928
Receivable against sale of investments	-	-	-	-
Dividend and profit receivable	2,422	-	-	2,422
Security deposits	4,593	-	-	4,593
	217,773	410,900	12,028	640,701

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

	2018		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Financial Liabilities			
Payable to the Management Company	-	1,043	1,043
Payable to the Central Depository Company of Pakistan Limited- Trustee		105	105
Payable against redemption of units	-	216	216
Accrued expenses and other liabilities	-	3,838	3,838
	-	5,202	5,202

	2017			
	Loans and receivables	Assets at fair value through profit or loss	Available for sale investments	Total
	----- (Rupees in '000) -----			
Financial Assets				
Balances with banks	204,777	-	-	204,777
Investments	50,000	360,203	58,526	468,729
Receivable against sale of investments	10,154	-	-	10,154
Dividend and profit receivable	2,800	-	-	2,800
Security deposits	4,593	-	-	4,593
	272,324	360,203	58,526	691,053

	2017		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Financial Liabilities			
Payable to the Management Company	-	1,549	1,549
Payable to the Central Depository Company of Pakistan Limited- Trustee	-	128	128
Payable against redemption of units	-	216	216
Accrued expenses and other liabilities	-	4,589	4,589
	-	6,482	6,482

24.5 Fair value of financial assets and liabilities

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

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

24.6 Fair value hierarchy

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 trade able 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 (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

	-----June 30, 2018 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment classified				
- at fair value through profit or loss	410,900	-	-	410,900
- available for sale	12,028	-	-	12,028
	422,928	-	-	422,928

	-----June 30, 2017 -----			
	Level 1	Level 2	Level 3	Total
	-----Rupees in '000-----			
Investment classified				
- at fair value through profit or loss	211,352	148,851	-	360,203
- available for sale	58,526	-	-	58,526
	269,878	148,851	-	418,729

25. 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 holder's fund.

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

The Fund's 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.

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

26. GENERAL

Figures have been rounded off to the nearest thousand Rupees.

27. DATE OF AUTHORIZATION OF ISSUE

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

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
1873	0-10000	5,426,641
661	10001 - 100000	18,961,359
106	100001 - 1000000	23,290,239
4	1000001 - Onwards	7,734,493
<u>2644</u>		<u>55,412,733</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	619	675	627	682	365
Net Assets value per unit – Rupees	11.16	11.53	10.69	10.55	9.06
Closing Offer Price	11.41	11.79	10.98	10.84	9.31
Closing Repurchase Price	11.16	11.53	10.69	10.55	9.06
Highest offer price per unit	12.36	14.70	11.63	12.41	10.83
Lowest offer price per unit	10.66	10.99	10.07	9.06	8.75
Highest Redemption price per unit	12.09	14.38	11.32	12.08	10.54
Lowest Redemption price per unit	10.42	10.74	9.80	8.82	8.51
Distribution per unit – Rs. *	0	1.85	0.40	1.35	1.51
Average Annual Return - %					
One year	(3.21)	25.36	5.17	31.11	26.10
Two year	11.08	15.27	18.14	28.61	27.09
Three year	9.11	20.55	20.79	28.43	27.42
Net Income for the year – Rs. in million	(25.12)	145.507	7.66	142.91	79.12
Distribution made during the year – Rs. in million	-	92.819	22	66	52
Accumulated Capital Growth – Rs. in million	(25.12)	52.688	(15)	77	27

*** Date of Distribution**

2017	
Date	Rate
June 21, 2017	1.85

2016	
Date	Rate
June 25, 2016	0.4

2015	
Date	Rate
June 22, 2015	1.35

2014	
Date	Rate
June 27, 2014	1.51

Disclaimer

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

PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 2 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Abstain Reason for Abstaining
Number	39	39	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.

MCB-Arif Habib Savings and Investments Limited

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