



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 CASH MANAGEMENT FUND**

## **TABLE OF CONTENTS**

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<b>1</b>	<b>Fund's Information</b>	<b>281</b>
<b>2</b>	<b>Report of the Directors of the Management Company</b>	<b>282</b>
<b>3</b>	<b>Report of the Fund Manager</b>	<b>290</b>
<b>4</b>	<b>Trustee Report to the Unit Holders</b>	<b>292</b>
<b>5</b>	<b>Independent Auditor's Report to the Unit Holders</b>	<b>293</b>
<b>6</b>	<b>Statement of Assets and Liabilities</b>	<b>297</b>
<b>7</b>	<b>Income Statement</b>	<b>298</b>
<b>8</b>	<b>Statement of Other Comprehensive Income</b>	<b>299</b>
<b>9</b>	<b>Statment of Movement in Unit Holder's Fund</b>	<b>300</b>
<b>10</b>	<b>Cash Flow Statement</b>	<b>301</b>
<b>11</b>	<b>Notes to and Forming Part of the Financial Statements</b>	<b>302</b>
<b>12</b>	<b>Pattern of Units Holding by Size</b>	<b>326</b>
<b>13</b>	<b>Performance Table</b>	<b>327</b>

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi	
<b>Board of Directors</b>	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Company Secretary</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Chief Financial Officer</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>MCB Financial Services Limited</b> 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan. Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Zarai Traqiati Bank Limited	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes</b> Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2++ Asset Manager Rating assigned by PACRA	

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

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Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Pakistan Cash Management 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.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.67% as against its benchmark return of 5.35%.

The fund's exposure was shifted towards cash as commercial banks were offering relatively attractive returns compared to current yield of other money market instruments.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 889 million as compared to Rs. 628 million as at June 30, 2017 registering an increase of 41.56%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 52.6287 as compared to opening NAV of Rs. 50.2794 per unit as at June 30, 2017 registering an increase of Rs. 2.3493 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

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

during the next fiscal year. Along with entry to the IMF program, which will aim to curtail the fiscal deficit, developmental expenditures will be sharply cut during the next year.

### Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

### EXTERNAL AUDITORS

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

### ACKNOWLEDGMENT

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

On behalf of Directors,



**Muhammad Saqib Saleem**  
Chief Executive Officer  
September 14, 2018



**Nasim Beg**  
Director / Vice Chairman

## ڈائریکٹرز رپورٹ

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

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

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

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

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

### خارجی آڈیٹرز

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

### اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء



## ڈائریکٹرز رپورٹ

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

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

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

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

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

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

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

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

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

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

k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب 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 ہارون رشید
-	9	9	9	2. جناب احمد جہانگیر
2	7	9	9	3. جناب نسیم بیگ
2	7	9	9	4. مرزا محمد قمر بیگ

## مستقبل کا منظر

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

## کارپوریٹ گورننس

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

### 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 اثرا نشورنس 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% / 47% YoY 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 آٹوز 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 آٹوز 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 20% YoY 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 نقد 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۔

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۔ کمزور روپیہ متوقع طور پر افراط زر کو 8.0% سے اونچی سطح پر لے جائے گا۔

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

مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں مجموعی طور پر 75 bps اضافہ کیا جس کی بنیادی وجہ بڑھتے ہوئے جڑواں خسارے، ریئل انٹریسٹ کی گھٹتی ہوئی شرحیں، اور تیزی سے بڑھتی ہوئی درآمدات ہیں۔ انٹریسٹ کی شرحوں میں تیز رفتار اضافے کے امکانات کے باعث بانڈ کی آمدنی کا خم اوپر کی طرف گیا، خصوصاً مالی سال 2018ء کی دوسری سہ ماہی کے دوران۔ تجارتی خسارے میں اضافے کی رفتار خوفناک حد تک تیز رہی جس کے باعث غیر ملکی زرمبادلہ کے ذخائر متاثر ہوئے اور سرمایہ کاروں نے طویل المیعاد 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 بنچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی۔ زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سلگ کا اجراء نہیں کیا گیا۔

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

### Fund Type and Category

**Pakistan Cash Management Fund (PCF)** is an open-end Fund.

### Fund Benchmark

The benchmark for Pakistan Cash Management Fund is 70% three(3) months PKRV rates + 30% three (3) months average deposit rates of three (3) AA rated scheduled Banks selected by MUFAP.

### Investment Objective

The fund aims to deliver regular income and provide high level of liquidity primarily from short duration government securities investments.

### Investment Strategy

The Fund will invest in government securities; mainly Treasury bills and short maturity reverse repurchase transactions against Government Securities. The un-invested funds are kept in deposits with minimum AA rated commercial banks. The overall maturity of the portfolio is kept below 45 days, in order to keep interest rate risk at a relatively low and manageable level and provide high liquidity to investors comparable to current bank deposits. PCF is a long only Fund.

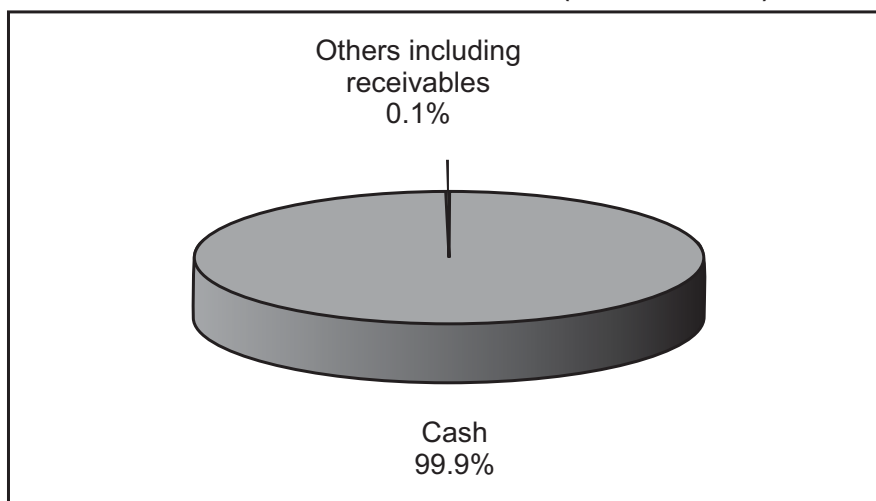
### Manager's Review

During the period under review, the fund generated an annualized return of 4.67% as against its benchmark return of 5.35%.

The fund's exposure was shifted towards cash as commercial banks offered relatively attractive returns compared to current yield of other money market instruments.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 889 million as compared to Rs. 628 million as at June 30, 2016 registering an increase of 42.24%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 52.6287 as compared to opening NAV of Rs. 50.2794 per unit as at June 30, 2017 registering an increase of Rs. 2.3493 per unit.

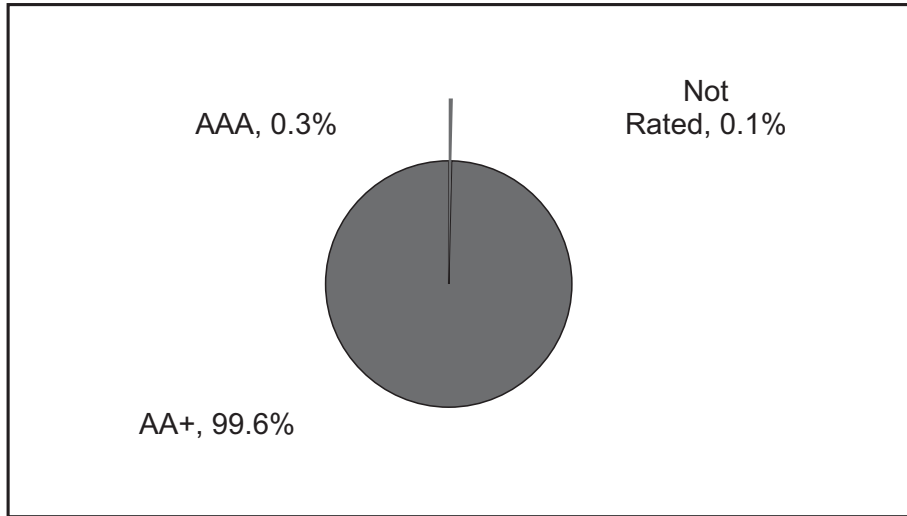
**Asset Allocation as on June 30, 2018 (% of total assets)**



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

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



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**Saad Ahmed**  
Fund Manager

Karachi: September 6, 2018

## TRUSTEE REPORT TO THE UNIT HOLDERS



### MCB FINANCIAL SERVICES LIMITED

#### REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

##### PAKISTAN CASH MANAGEMENT FUND

#### Report of the Trustee Pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

Pakistan Cash Management Fund, an open-end Scheme established under a Trust Deed initially executed between Arif Habib Investments Limited as Management Company and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was approved by Securities & Exchange Commission of Pakistan (SECP) on February 01, 2008 and was executed on February 08, 2008. The Trust Deed was subsequently amended through a supplemental Trust Deed dated July 21, 2014 according to which Habib Metropolitan Bank Limited stands retired and MCB Financial Services Limited is appointed as the Trustee of the Fund. The effective date of change of trustee is August 20, 2014.

Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL had been changed to MCB Arif Habib Savings and Investments Limited effective from June 27, 2011.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Cash Management Fund has, in all material respects, managed Pakistan Cash Management Fund during the year ended 30<sup>th</sup> June 2018 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

Khawaja Anwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: September 13, 2018



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



EY Ford Rhodes  
Chartered Accountants  
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## INDEPENDENT AUDITORS' REPORT

To the Unit holders of PAKISTAN CASH MANAGEMENT FUND

### Report on the Audit of the Financial Statements

#### Opinion

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

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

#### Basis for Opinion

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

#### Key Audit Matters

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

Following are the key audit matters:

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

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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Key audit matter	How our audit addressed the key audit matter
These amendments are considered significant to our audit because application of the said amendments resulted in change in accounting policy relating to presentation "element of income / loss" in the financial statements and certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' (the Statements).	We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.

### Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the financial statements and our auditors' report thereon.

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

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

### Responsibilities of Management and Board of Directors for the Financial Statements

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

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

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

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

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

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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

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

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

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

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

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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

Chartered Accountants

Date: 14 September 2018

Karachi

A member firm of Ernst & Young Global Limited

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

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	5	904,003	362,099
Investments	6	-	289,584
Mark-up and other receivables	7	702	1,784
Advances and prepayments	8	262	383
<b>Total assets</b>		<u>904,967</u>	<u>653,850</u>
<b>LIABILITIES</b>			
Payable to the Management Company	9	273	1,156
Payable to the Trustee	10	226	-
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	11	530	9
Accrued and other liabilities	12	14,987	24,852
<b>Total liabilities</b>		<u>16,016</u>	<u>26,017</u>
<b>NET ASSETS</b>		<u>888,951</u>	<u>627,833</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>888,951</u>	<u>627,833</u>
<b>Contingencies and commitments</b>	13		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>16,890,983</u>	<u>12,486,887</u>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<u>52.6287</u>	<u>50.2794</u>

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

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



*Chief Executive Officer*



*Chief Financial Officer*



*Director*

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

		June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017 -----
<b>INCOME</b>	<b>Note</b>		
Mark-up on bank deposits		13,311	21,481
Income from Government securities		30,312	63,948
Net unrealised loss in the value of investments classified as 'at fair value through profit or loss - held-for-trading'		-	(11)
Capital gain / (loss) on sale of investments classified as 'at fair value through profit or loss - held-for-trading'		153	(246)
Back end load		10	126
Reversal of provision for Workers' Welfare Fund (WWF)	12.1	-	26,392
<b>Total income</b>		<b>43,786</b>	<b>111,690</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	(4,378)	(8,532)
Sales tax on remuneration of the Management Company	9.2	(569)	(1,109)
Expenses allocated by the Management Company and related taxes	9.3	(797)	(1,594)
Remuneration of the Trustee	10.1	(2,400)	(68)
Sales tax on remuneration of the Trustee	10.2	(312)	(2)
Annual fee to SECP	11	(530)	(9)
Auditors' remuneration	14	(489)	(10)
Brokerage, settlement and bank charges		(171)	(141)
Legal and other professional charges		(430)	(9)
Printing and stationery		(88)	-
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	(672)	(709)
<b>Total expenses</b>		<b>(10,836)</b>	<b>(12,183)</b>
<b>Net income for the year from operating activities</b>		<b>32,950</b>	<b>99,507</b>
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	(64,752)
<b>Net income for the year before taxation</b>		<b>32,950</b>	<b>34,755</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>32,950</b>	<b>34,755</b>
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		32,950	34,755
Income already paid on units redeemed		(22,829)	-
		<b>10,121</b>	<b>34,755</b>
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		11	-
- Excluding capital gains		10,110	-
		<b>10,121</b>	<b>-</b>

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

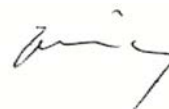
**For MCB-Arif Habib Savings and Investments Limited  
(Management Company)**



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

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

	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017 -----
<b>Net income for the year after taxation</b>	<b>32,950</b>	34,755
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>32,950</b>	34,755

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

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



*Chief Executive Officer*



*Chief Financial Officer*



*Director*

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

	June 30, 2018		June 30, 2017
	Capital value	Undistributed income / (loss)	Total
	(Rupees in '000)		
<b>Net assets at beginning of the year</b>	627,536	297	627,833
Issuance of 36,713,099 (2017: 82,459,591) units			1,992,982
- Capital value (at net assets value per unit at beginning of the year)	1,845,913	-	1,845,913
- Element of income	34,291	-	34,291
	1,880,204	-	1,880,204
Redemption of 32,309,003 (2017: 109,668,613) units			4,345,825
- Capital value (at net assets value per unit at beginning of the year)	1,624,477	-	1,624,477
- Element of income	4,730	22,829	27,559
	1,629,207	22,829	1,652,036
Net element of loss and capital losses included in prices of units issued less those in units redeemed	-	-	64,752
Total comprehensive income for the year	-	32,950	32,950
Distribution during the year	-	-	34,755
Net income for the year less distribution	-	32,950	32,950
			943
<b>Net assets at end of the year</b>	878,533	10,418	888,951
<b>Undistributed income / (loss) brought forward</b>			627,833
- Realised		308	4,974
- Unrealised		(11)	20
Accounting income available for distribution:		297	4,994
- Relating to capital gains		11	-
- Excluding capital gains		10,110	-
		10,121	-
Net income for the year after taxation		-	34,755
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised loss		-	(5,640)
Distribution during the year		-	(33,812)
<b>Undistributed income carried forward</b>		10,418	297
<b>Undistributed income carried forward:</b>			
- Realised		10,418	308
- Unrealised		-	(11)
		10,418	297
			(Rupees)
<b>Net assets value per unit at beginning of the year</b>		50.2794	50.2062
<b>Net assets value per unit at end of the year</b>		52.6287	50.2794

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


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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**



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

	Note	June 30, 2018	June 30, 2017
		----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		32,950	34,755
<b>Adjustments for:</b>			
Net unrealised loss in the value of investments classified as 'at fair value through profit or loss - held-for-trading'		-	11
Net element of loss and capital losses included in prices of units issued less those in units redeemed		-	64,752
Reversal of provision for Workers' Welfare Fund (WWF)		-	(26,392)
Provision for Sindh Workers' Welfare Fund (SWWF)		(672)	(709)
		<u>32,278</u>	<u>72,417</u>
<b>Decrease / (increase) in assets</b>			
Investments		115,184	1,129,115
Mark-up and other receivables		1,082	254
Advances and prepayments		121	(159)
		<u>116,387</u>	<u>1,129,210</u>
<b>(Decrease) / increase in liabilities</b>			
Payable to the Management Company		(883)	224
Payable to the Trustee		226	-
Annual fee payable to SECP		521	9
Accrued and other liabilities		(9,193)	12,727
		<u>(9,329)</u>	<u>12,960</u>
<b>Net cash generated from operating activities</b>		<u>139,336</u>	<u>1,214,587</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from issuance of units		1,880,204	4,345,825
Payments on redemption of units		(1,652,036)	(5,776,669)
Dividend paid		-	(33,812)
<b>Net cash generated from / (used in) financing activities</b>		<u>228,168</u>	<u>(1,464,656)</u>
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>		<u>367,504</u>	<u>(250,069)</u>
Cash and cash equivalents at beginning of the year		536,499	786,568
<b>Cash and cash equivalents at end of the year</b>	16	<u>904,003</u>	<u>536,499</u>

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


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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**



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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Pakistan Cash Management Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Habib Metropolitan Bank Limited as Trustee on February 08, 2008.
- 1.2 Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3 The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4 The Fund is categorised as "money market scheme" and is listed on the Pakistan Stock Exchange Limited. The Fund primarily invests in market treasury bills, short term Government instruments and reverse repurchase transactions against government securities.
- 1.5 Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6 The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated December 28, 2017 to the Management Company and has assigned stability rating of 'AA+(f)' dated June 30, 2018 to the Fund.
- 1.7 Title to the assets of the Fund is held in the name of MCB Financial Services Limited as Trustee of the Fund.

## 2. STATEMENT OF COMPLIANCE

### 2.1 Statement of compliance

"These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards comprise of:"

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

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

### 2.2 New / Revised Standards, Interpretations and Amendments

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

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

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

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

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

### 2.3 Standards, interpretation

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

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

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

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

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

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

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

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

## 3. BASIS OF PREPARATION

### 3.1 Accounting convention

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

### 3.2 Critical accounting estimates and judgments

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

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

### 3.3 Functional and presentation currency

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the Regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised Regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised Regulations.

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

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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 unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative year has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs.6.69 million. However, the change in accounting policy does not have any impact on the 'cash flow statement', the 'net assets attributable to the unit holders' and 'net assets value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these statements.

### 4.2 Financial assets

The Fund classifies its financial assets in the following categories:

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

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

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

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

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

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

#### c) Loans and receivables

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

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

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### 4.3 Regular way contracts

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

### 4.4 Initial recognition and measurement

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

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

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

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

### 4.5 Subsequent measurement

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

#### a) Debt securities

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

#### b) Government securities

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

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

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

#### c) Loans and receivables

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

### 4.6 Securities under repurchase / resale agreements

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

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

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reverse repurchase transactions / margin trading system and accrued over the life of the reverse-repo agreement.

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

### 4.7 Impairment of financial assets

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

Provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 06, 2009 as amended by Circular No. 13 dated May 04, 2009 and Circular No. 33 dated October 24, 2012 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

### 4.8 Derivatives

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

### 4.9 Derecognition

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

### 4.10 Offsetting of financial assets and liabilities

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

### 4.11 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recognized at fair value and subsequently stated at amortized cost.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired.

### 4.12 Issuance and redemption of units

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

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

### 4.13 Proposed distributions

Distributions declared subsequent to the Statement of Assets and Liabilities date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are declared.

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

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### 4.14 Provisions

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

### 4.15 Earnings per unit

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

### 4.16 Taxation

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

### 4.17 Revenue recognition

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

### 4.18 Expenses

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

### 4.19 Cash and cash equivalents

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

### 4.20 Other assets

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

### 4.21 Foreign currency translation

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

### 4.22 Net assets value per unit (NAV)

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



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

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>5. BALANCES WITH BANKS</b>			
Deposit accounts	5.1	<u>904,003</u>	<u>362,099</u>

**5.1** These carry mark-up at rates ranging between 3.75% to 6.90% (2017: 3.75% to 6.18%) per annum and include a balance of Rs.2.52 (2017: Rs.6.50) million held with MCB Bank Limited (a related party).

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>6. INVESTMENTS</b>			
<b>Investments by Category</b>			
<b>'At fair value through profit or loss - held-for-trading'</b>			
Government securities - Market treasury bills	6.1	<u>-</u>	<u>289,584</u>

## 6.1 Market treasury bills

Market Treasury Bills - at fair value through profit or loss

Tenure	Issue Date	Face Value				As at June 30, 2018			Market value as a percentage	Market value as a percentage
		At July 01, 2017	Purchases during the period	Sales / matured during the period	As At June 30, 2018	Carrying value	Market value	Appreciation		
(Rupees in '000)										
Treasury bills - 3 months										
Treasury bills	July 20, 2017	-	750,000	750,000	-	-	-	-	-	-
Treasury bills	April 13, 2017	25,000	-	25,000	-	-	-	-	-	-
Treasury bills	November 23, 2017	-	250,000	250,000	-	-	-	-	-	-
Treasury bills	August 31, 2017	-	450,000	450,000	-	-	-	-	-	-
Treasury bills	October 26, 2017	-	50,000	50,000	-	-	-	-	-	-
Treasury bills	May 25, 2017	-	212,500	212,500	-	-	-	-	-	-
Treasury bills	October 12, 2017	-	2,075,000	2,075,000	-	-	-	-	-	-
Treasury bills	January 04, 2018	-	550,000	550,000	-	-	-	-	-	-
Treasury bills	April 27, 2017	100,000	-	100,000	-	-	-	-	-	-
Treasury bills	May 11, 2017	50,000	-	50,000	-	-	-	-	-	-
Treasury bills	September 28, 2017	-	500,000	500,000	-	-	-	-	-	-
Treasury bills	February 15, 2018	-	1,000,000	1,000,000	-	-	-	-	-	-
Treasury bills	March 15, 2018	-	90,000	90,000	-	-	-	-	-	-
Treasury bills	August 17, 2017	-	275,000	275,000	-	-	-	-	-	-
Treasury bills	February 01, 2018	-	500,000	500,000	-	-	-	-	-	-
Treasury bills	December 07, 2017	-	300,000	300,000	-	-	-	-	-	-
Treasury bills	January 18, 2018	-	950,000	950,000	-	-	-	-	-	-
Treasury bills	April 12, 2018	-	780,000	780,000	-	-	-	-	-	-
Treasury bills - 6 months										
Treasury bills	August 03, 2017	-	550,000	550,000	-	-	-	-	-	-
Treasury bills	December 07, 2017	-	50,000	50,000	-	-	-	-	-	-
Treasury bills	July 06, 2017	-	150,000	150,000	-	-	-	-	-	-
Treasury bills	March 30, 2017	-	250,000	250,000	-	-	-	-	-	-
Treasury bills	August 31, 2017	-	500,000	500,000	-	-	-	-	-	-
Treasury bills	February 16, 2017	100,000	100,000	200,000	-	-	-	-	-	-
Treasury bills	January 19, 2017	16,000	-	16,000	-	-	-	-	-	-
Treasury bills - 12 months										
Treasury bills	June 08, 2017	-	20,000	20,000	-	-	-	-	-	-

As at June 30, 2018  
As at June 30, 2017

-	-	-
<u>289,595</u>	<u>289,584</u>	<u>(11)</u>

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>7. MARK-UP AND OTHER RECEIVABLES</b>			
Mark-up on bank deposits	7.1	<u>702</u>	<u>1,603</u>
Receivable from management company		<u>-</u>	<u>181</u>
		<u>702</u>	<u>1,784</u>

**7.1** This includes a balance of Rs.0.08 (2017: Rs.1) million receivable on a balances held with MCB Bank Limited (a related party).



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

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>8. ADVANCES AND PREPAYMENTS</b>			
Advance tax		262	249
Prepaid stability rating fee - PACRA		-	134
		<u>262</u>	<u>383</u>

## 9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	9.1	214	719
Sales tax on remuneration payable	9.2	28	93
Remuneration of the Trustee		-	68
Auditors' remuneration		-	9
Rating fee		-	141
Legal and professional charges		-	1
Annual listing fee		-	1
Brokerage, settlement and bank charges		-	2
Expenses allocated by the Management Company	9.3	31	122
	9.4	<u>273</u>	<u>1,156</u>

**9.1** The management fees is being calculated on the lower of 10% of the Fund's operating revenue or 1% of average daily net assets subject to minimum fee of 0.25% (2017: 0.25%) of average daily net assets.

**9.2** Sales tax on remuneration to the Management Company has been charged at the rate of 13% (2017: 13%).

**9.3** As per regulation 60(3)(s) of amended NBFC Regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operation and valuation services related to a Collective Investment Scheme (CIS) are chargeable to the scheme, maximum up to 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the Management Company has charged 0.1% of the average annual net assets with effect from November 25, 2015, being lower.

**9.4** During the previous year, SECP vide its letter no. SCD/AMC/MCBAHSIL/PCF/475/2017 dated March 17, 2017 approved the amendment made in the Fund's offering document whereby all expenses, duly referred in offering document, which were previously borne by the Management Company, shall be borne by the Fund starting from June 22, 2017.

## 10. PAYABLE TO THE TRUSTEE

Remuneration payable	10.1	200	-
Sales tax on remuneration payable	10.2	26	-
		<u>226</u>	<u>-</u>

**10.1** The Trustee shall be entitled to a remuneration equivalent to 1% of the gross earnings of the Fund, calculated on a daily basis, subject to a minimum monthly remuneration of Rs.0.20 million. In respect of any month, other than a complete month, such minimum remuneration shall be prorated on the basis of the actual number of days of such month.

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

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

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

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

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>12. ACCRUED AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	1,869	1,197
Federal Excise Duty on remuneration to the Management Company	12.2	11,933	11,933
Withholding tax payable		233	11,404
Brokerage payable		10	42
Auditors' remuneration		330	-
Others		612	276
		<u>14,987</u>	<u>24,852</u>

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

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

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.11 (2017: Re.0.10) per unit.

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

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

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

During the previous year, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside.

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

In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2018 aggregates to Rs.11.93 (2017: Rs.11.93) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.71 (2017: Re.0.95) per unit.

### 13. CONTINGENCIES AND COMMITMENTS

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

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
<b>14. AUDITORS' REMUNERATION</b>			
Annual audit fee		250	5
Half yearly review fee		131	3
Other certification and services		53	1
		434	9
Sales tax		35	1
Out of pocket expenses		20	-
		489	10

### 15. TAXATION

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

### 16. CASH AND CASH EQUIVALENTS

Balances with banks	904,003	362,099
Market treasury bills maturing within 3 months	-	174,400
	904,003	536,499

### 17. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS /

#### OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected

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

persons. Connected persons also include any person beneficially owing directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

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

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

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

### 17.1 Unit Holders' Fund

June 30, 2018								
	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018
	Units				(Rupees in '000)			
<b>Group / associated company</b>								
Arif Habib Dolmen REIT Management Limited	2,250	-	-	2,250	113	-	-	118
<b>Key management personnel</b>	13,189	2,904	16,093	-	663	150	760	-
<b>Mandate under discretionary portfolio services</b>	146,410	11,781,675	378,195	11,549,890	7,361	619,750	19,852	607,856
<b>Unit holders holding 10% or more units</b>	6,690,093	-	6,690,093	-	336,374	-	346,003	-
June 30, 2017								
	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018
	Units				(Rupees in '000)			
<b>Group / associated companies</b>								
Arif Habib Dolmen REIT Management Limited	2,121	129	-	2,250	106	6	-	113
Adamjee Life Assurance Company Limited	-	1,865,091	1,865,091	-	-	100,000	100,404	-
<b>Key management personnel</b>	-	105,926	92,737	13,189	-	5,434	4,979	663
<b>Mandate Under Discretionary Portfolio Services</b>	-	384,750	238,340	146,410	-	19,351	12,000	7,361
<b>Unit holders holding 10% or more units</b>	-	6,690,093	-	6,690,093	-	336,374	-	336,374

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

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>17.2 Transactions during the year:</b>		
<b>Management Company</b>		
<b>MCB Arif Habib Savings and Investment Limited</b>		
Remuneration (including indirect taxes)	4,947	9,641
Expense allocated by the Management Company and related taxes	797	1,594
<b>Group / Associated Companies</b>		
<b>MCB Bank Limited</b>		
Mark-up on bank deposits	234	353
Bank charges	28	-
Purchase of securities having face value of Rs.125,000,000 (2017: Face value of Rs.300,000,000)	123,466	297,980
Sale of securities having face value of Rs.Nil (2017: Face value of Rs.1,141,000,000)	-	2,182,425
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration (including indirect taxes)	2,712	70
<b>Silk Bank Limited</b>		
Purchase of securities having face value of Rs.527,500,000 (2017: Face value of Rs.1,736,000,000)	522,327	1,721,090
Sale of securities having face value of Rs.325,000,000 (2017: Face value of Rs.Nil)	322,856	-
<b>Next Capital Limited - Brokerage house</b>		
Brokerage and settlement charges*	3	1
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage and settlement charges*	3	17
<b>17.3 Balances outstanding at year end:</b>		
<b>Management Company</b>		
<b>MCB Arif Habib Savings and Investment Limited</b>		
Remuneration payable	214	719
Sales tax on remuneration payable	28	93
Expenses allocated by the Management Company	31	122
<b>Group / Associated Companies</b>		
<b>MCB Bank Limited</b>		
Balances with bank	2,515	6,499
Mark-up receivable on bank deposits	84	96
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration payable	200	-
Sales tax on remuneration payable	26	-
<b>Arif Habib Limited - Brokerage house</b>		
Brokerage and settlement charges payable*	1	-

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

## 18. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

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

**Level 1:** quoted prices in active markets for identical assets or liabilities;

**Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

**Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		June 30, 2018					
		Carrying amount		Fair value			
	Note	Fair value through profit or loss - held for trading	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
<b>Financial assets not measured at fair value</b>							
Balances with banks	18.2	-	904,003	904,003			
Mark-up and other receivables		-	702	702			
		-	904,705	904,705			
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company	18.2	-	245	245			
Payable to the Trustee		-	200	200			
Accrued and other liabilities		-	908	908			
		-	1,353	1,353			

		June 30, 2017					
		Carrying amount		Fair value			
	Note	Fair value through profit or loss - held for trading	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3
		(Rupees in '000)					
<b>Financial assets measured at fair value</b>							
Government securities - Market treasury bills		289,584	-	289,584	-	289,584	-
		289,584	-	289,584	-	289,584	-
<b>Financial assets not measured at fair value</b>							
Balances with banks		-	362,099	362,099			
Mark-up and other receivables		-	1,784	1,784			
		-	363,883	363,883			
<b>Financial liabilities not measured at fair value</b>							
Payable to the Management Company		-	1,063	1,063			
Accrued and other liabilities		-	42	42			
		-	1,105	1,105			

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

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

**18.1** As at June 30, 2018, the Fund has no financial assets measured at fair value (2017: Government securities - market treasury bills measured at level 2).

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

### **19. FINANCIAL RISK MANAGEMENT**

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

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Management Company in accordance with the approved policies of the investment committee which provide broad guidelines for management of above mentioned risks. The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund primarily invests in a portfolio of money market investments such as Government securities and investments in other money market instruments.

#### **19.1 Market risk**

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

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

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

##### **19.1.1 Currency risk**

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

##### **19.1.2 Interest rate risk**

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

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

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
<b>Variable rate instruments</b>		
Balances with banks - Deposit accounts	<u>904,003</u>	<u>362,099</u>
<b>Fixed rate instruments</b>		
Government securities - Market treasury bills	<u>-</u>	<u>289,584</u>

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

### a) Sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs.9.04 (2017: Rs.3.62) million and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund does not hold any fixed rate instruments and is not exposed to fair value interest rate risk.

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

June 30, 2018						
Yield / effective interest rate (%)	Exposed to yield / interest rate risk				Total	
	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk		
						----- (Rupees in '000) -----
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	3.75 to 6.90	904,003	-	-	-	904,003
Mark-up and other receivables		-	-	-	702	702
		904,003	-	-	702	904,705
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	245	245
Payable to the Trustee		-	-	-	200	200
Accrued and other liabilities		-	-	-	908	908
		-	-	-	1,353	1,353
<b>On-balance sheet gap</b>		904,003	-	-	(651)	903,352



# 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 risk	Total
		Upto three months	More than three months and upto one year	More than one year		
		----- (Rupees in '000) -----				
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	3.75 to 6.18	362,099	-	-	-	362,099
Investments classified as 'At fair value through profit or loss - held-for-trading'	5.93 to 5.98	174,400	115,184	-	-	289,584
Mark-up and other receivables		-	-	-	1,784	1,784
		536,499	115,184	-	1,784	653,467
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	1,063	1,063
Accrued and other liabilities		-	-	-	42	42
		-	-	-	1,105	1,105
<b>On-balance sheet gap</b>		536,499	115,184	-	679	652,362

## 19.1.3 Other price risk

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

## 19.2 Credit Risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on loans and receivables, and balances with banks. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in market treasury bills are Government backed and hence considered as secured.

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

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2018 and June 30, 2017 is as follows:

	June 30, 2018	June 30, 2017
	--- (Rupees in '000) ---	
Balances with banks	904,003	362,099
Mark-up and other receivables	702	1,784
	<u>904,705</u>	<u>363,883</u>

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

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

Bank balances by rating category	Rating Long-term / short-term	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
		--- (Rupees in '000) ---		---- (Percentage) ----	
<b>Deposit accounts</b>					
Habib Metropolitan Bank Limited	AA+/A1+	548	1,479	0.06%	0.41%
MCB Bank Limited	AAA/A1+	2,515	6,499	0.28%	1.79%
Allied Bank Limited	AAA/A1+	900,747	351,222	99.64%	97.00%
Bank Alfalah Limited	AA+/A1+	175	1,914	0.02%	0.53%
Zarai Taraqati Bank Limited	AAA/A-1+	7	973	0.00%	0.27%
United Bank Limited	AAA/A-1+	5	5	0.00%	0.00%
Bank Al-Habib Limited	AA+/A1+	6	7	0.00%	0.00%
		<u>904,003</u>	<u>362,099</u>	<u>100%</u>	<u>100%</u>

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 market 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.

### Concentration of credit risk

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

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

### Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

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

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

### 19.3 Liquidity risk

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

The Fund's policy to managing liquidity is to have sufficient liquidity to meet its liabilities, including estimated redemptions of units as and when due, without incurring undue losses or risking damage to the Fund's reputation.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of net assets at the time of borrowing with a condition of repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund may also 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 liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

<b>June 30, 2018</b>				
	<b>Carrying value</b>	<b>Upto one month</b>	<b>More than one month upto three months</b>	<b>More than three months and upto one year</b>
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to the Management Company	245	245	-	-
Payable to the Trustee	200	200	-	-
Accrued and other liabilities	908	10	898	-
	<b>1,353</b>	<b>455</b>	<b>898</b>	<b>-</b>
<b>As at June 30, 2017</b>				
	<b>Carrying value</b>	<b>Upto one month</b>	<b>More than one month upto three months</b>	<b>More than three months and upto one year</b>
	----- (Rupees in '000) -----			
<b>Liabilities</b>				
Payable to the Management Company	1,063	1,063	-	-
Accrued and other liabilities	42	42	-	-
	<b>1,105</b>	<b>1,105</b>	<b>-</b>	<b>-</b>

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

## 19.4 Financial instruments by category

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

	June 30, 2018		
	At fair value through profit or loss - held- for-trading	Loans and receivables	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Balances with banks	-	904,003	904,003
Mark-up and other receivables	-	702	702
	-	904,705	904,705

	As at June 30, 2018		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	245	245
Payable to the Trustee	-	200	200
Accrued and other liabilities	-	908	908
	-	1,353	1,353

	June 30, 2017		
	At fair value through profit or loss - held- for-trading	Loans and receivables	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Balances with banks	-	362,099	362,099
Investment	289,584	-	289,584
Mark-up and other receivables	-	1,784	1,784
	289,584	363,883	653,467

	June 30, 2017		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	1,063	1,063
Accrued and other liabilities	-	42	42
	-	1,105	1,105

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

### 20. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

### 21. SUPPLEMENTARY NON-FINANCIAL INFORMATION

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

#### 21.1 Pattern of unit holding

##### Details of pattern of unit holding

June 30, 2018				
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage of total investments
Individuals	229	2,467,149	129,843	14.61%
Associated companies	1	2,250	118	0.01%
Insurance companies	3	707,443	37,232	4.19%
Retirement funds	10	3,767,571	198,282	22.31%
Others	11	9,946,570	523,476	58.88%
	<b>254</b>	<b>16,890,983</b>	<b>888,951</b>	<b>100.00%</b>

June 30, 2017				
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total Investment
Individuals	184	2,246,732	112,964	17.99%
Associated companies	2	1,233,362	62,013	9.88%
Insurance companies	2	406,040	20,415	3.25%
Retirement funds	13	4,206,944	211,523	33.69%
Public limited companies	3	3,357,508	168,813	26.89%
Others	10	1,036,301	52,105	8.30%
	<b>214</b>	<b>12,486,887</b>	<b>627,833</b>	<b>100.00%</b>

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

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

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

	June 30, 2018 Percentage
1 EFG Hermes Pakistan Limited	22.50%
2 Invest Capital Markets Limited	20.06%
3 C and M Management (Private) Limited	17.27%
4 BMA Capital Management Limited	10.79%
5 Next Capital Limited	6.68%
6 Bright Capital (Private) Limited	5.28%
7 Arif Habib Limited	5.02%
8 Investone Markets (Private) Limited	4.55%
9 Optimus Market (Private) Limited	4.24%
10 Elixir Securities Pakistan (Private) Limited	2.19%

	June 30, 2017 Percentage
1 Invest Capital Markets Limited	16.46%
2 Optimus Market (Private) Limited	14.97%
3 Arif Habib Limited	13.42%
4 EFG Hermes Pakistan Limited	11.97%
5 Vector Capital (Private) Limited	8.45%
6 C and M Management (Private) Limited	6.97%
7 Currency Market Associates (Private) Limited	5.15%
8 BMA Capital Management Limited	3.90%
9 Magneta Capital (Private) Limited	3.71%
10 Summit Capital Private Limited	3.12%

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

During the year, 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd Board meetings were held on July 06, 2017, August 04, 2017, September 07, 2017, October 12, 2017, October 20, 2017, February 02, 2018, February 23, 2018, April 19, 2018 and June 11, 2018 respectively. Information in respect of attendance by Directors in the meetings is given below:

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

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

### 21.4 Particulars of investment committee and fund manager

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

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	21
Mr. Muhammad Asim	Asset Class Specialist – Equities	MBA & CFA	15
Mr. Saad Ahmed	Asset Class Specialist – Fixed Income	MBA	13
Mr. Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	B.COM	15
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	7

### 21.5 Other funds managed by the fund manager

Mr. Saad Ahmed

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

- MCB Cash Management Optimizer Fund;
- MCB DCF Income Fund;
- MCB Pakistan Sovereign Fund;
- Pakistan Income Enhancement Fund; and
- Al-Hamra Daily Dividend Fund.

### 22. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 1.53% as on June 30, 2018 (2017: 0.86%) and this includes 0.30% (2017: 0.14%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

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

The Board of Directors of the Management Company on July 04, 2018 approved a final distribution of Rs.2.3168 per unit on the face value of Rs.50 each (i.e 4.61%) amounting to Rs.39.13 million. The financial statements of the Fund for the year ended June 30, 2018 do not include the effect of this distribution which will be accounted for in the financial statements of the Fund for the year ending June 30, 2019.



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

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### 24. GENERAL

- 24.1 Figures have been rounded off to the nearest thousand rupee unless otherwise specified.
- 24.2 Certain prior year's figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report.

### 25. DATE OF AUTHORISATION FOR ISSUE

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

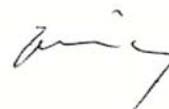
*For MCB-Arif Habib Savings and Investments Limited  
(Management Company)*



Chief Executive Officer



Chief Financial Officer



Director

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

<b>No. of Unit Holders</b>	<b>Unit Holdings</b>	<b>Total Units Held</b>
181	0-10000	236,329
58	10001 - 100000	1,640,226
12	100001 - 1000000	3,704,317
3	1000001 - Onwards	11,310,110
<u>254</u>		<u>16,890,983</u>

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

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	889	628	1,993	1,442	3,148
Net Assets value per unit – Rupees	52.6287	50.2794	50.2062	50.1464	50.0125
Closing Offer Price	52.6287	50.2794	50.1993	50.1532	50.0000
Closing Repurchase Price	52.6287	50.2794	50.2062	50.1464	50.0125
Highest offer price per unit	52.6287	53.8342	52.9990	54.2859	50.3806
Lowest offer price per unit	50.2859	50.2136	50.1464	50.0233	50.0000
Highest Redemption price per unit	52.6287	53.8342	52.9990	54.2859	50.3806
Lowest Redemption price per unit	50.2859	50.2136	50.1464	50.0233	50.0000
Distribution per unit – Rs. *		4.0700	2.8915	4.2900	3.6500
<b>Average Annual Return - %</b>					
One year	4.67	8.34	5.88	8.86	8.41
Two year	6.51	7.11	7.37	8.64	8.71
Three year	6.30	7.69	7.72	8.76	8.71
Net Income for the year – Rs. in million	32.95	34.755	19.91	38.89	266.56
Distribution made during the year – Rs. in million	-	33.812	17.53	35.05	237.90
Accumulated Capital Growth – Rs. in million	32.95	0.943	2.38	3.85	28.67
Weighted average Portfolio Duration (days)	1	14	18	33	14

\* Date of Distribution

2017	
Date	Rate
June 21, 2017	4.07

2016	
Date	Rate
June 22, 2016	2.8900

2015	
Date	Rate
June 24, 2015	4.2900

2014	
Date	Rate
July 25, 2013	0.2743
August 25, 2013	0.3047
September 25, 2013	0.3238
October 25, 2013	0.3250
November 25, 2013	0.3172
December 25, 2013	0.3449
January 25, 2014	0.3770
February 25, 2014	0.3671
March 25, 2014	0.3012
April 25, 2014	0.3714
May 25, 2014	0.3439

### Disclaimer

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

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

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