



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY AKORA

ANNUAL REPORT 2018

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

MCB PAKISTAN FREQUENT PAYOUT FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	MCB Financial Services Limited 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan. Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
Bankers	Habib Metropolitan Bank Limited United Bank Limited Allied Bank Limited Bank Alfalah Limited NRSP Micro Finance Bank Limited JS Bank Limited Khushaali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Silk Bank Limited First Micro Finance Bank Limited Finca Micro Finance Bank Limited U Micro Finance Bank Limited MCB Bank Limited Mobilink Micro Finance Bank Limited Zarai Taraqati Micro Finance Bank Limited Bank Al Habib Limited	
Auditors	A.F Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

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

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Frequent Payout Fund** accounts review for the year ended June 30, 2018.

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy achieved its decade high growth of 5.28% in FY17 which though missed the target of 5.7% but still reflects progressive movement from stabilization phase to growth trajectory. Agriculture sector remained the main stay, posting a growth of 3.50% compared to a modest of 0.26% a year back. This was well supported by Services with 6% YoY growth. On the industrial front, large scale manufacturing sector recorded growth of 5.7% for 11MFY17 with major contribution coming from consumer, construction and power segment. Auto sector recorded double digits growth as demand continued to grow and new models were introduced by local OEMs. CPEC related and other infrastructure investment continued to provide boom to construction related industries including steel and cement. On the external front, a 17.7% rise in imports and 1.4% drop in exports widened the trade deficit to USD 26.9 billion in FY17 compared to USD 19.3 billion a year back. Major contribution in imports came from Petroleum products, which posted an increase of 21% to USD 10.6 billion, followed by Food (15% YoY rise) and Machinery (10% YoY rise). Increase in oil prices, LNG imports to fill the natural gas deficit, fast growing demand of consumer products and capital goods import for various projects guided the import bill to USD 48.5 billion in FY17.

Remittance marginally declined during FY17 to USD 19.30 billion, ~3.08% lower than last year, where major reasons can be attributed to employment situation in Middle East and slower than expected global recovery. The above two factors (declining remittance and rising CA deficit) have started to put pressure on FX reserves, wiping out ~USD 1.72 billion since July 1, 2016 to end the year at USD 21.368 billion.

Despite a 19% YoY increase in average Arab Light prices, CPI remained subdued, posting a 4.15% YoY rise in FY17. This was mainly on account of benign growth in Food, transportation and house rent.

The government managed to contain the fiscal deficit at 4.2%, moderately higher than the set target of 3.8%. Total expenditure and total revenue both advanced by 12%YoY while fiscal balance hiked by 11%YoY. The government has set a fiscal deficit target of 4.1% in FY18.

Along with CA deficit, another point of concern is rising fiscal deficit and public and private debt to finance these increasing gaps. Pakistan's total debt stood at ~PKR 23.95 trillion (till March, 2017) reflecting an increase of ~PKR 2.33 trillion over a year.

State Bank of Pakistan in its latest monetary policy review for next two months maintained the policy rate at 5.75% for the seventh consecutive time. The policy committee remains positive based on future expected inflows due to CPEC and other projects which have kept the rupee relatively stable during the year. Ongoing political uncertainty also temporarily reflected in currency markets where on a single day, a temporary relaxation from SBP turned into a sharp depreciation of near 4% which however recovered in the following days as Finance Minister clarified and expressed the firm resolve to fight any speculative movement.

BOP deficits have caused Net Foreign Asset of the banking system to shrink from PKR 1.0 trillion at the end of FY16 to PKR 601 billion only at the end of FY17. M2 growth remains elevated (+13.7% Y/Y) owing to the government running large budget deficits, which has also led to Net Domestic Asset of the banking system to grow by 18.3% YoY. The government relied on SBP for funding with borrowings of PKR 908 billion leaving local banks with substantial liquidity. In second half of FY17, Yield Curve has remained flat; whereas liquidity was adequately managed by SBP. Shariah Instruments market remained thinly supplied as State Bank of Pakistan conducted a sole Ijara Sukuk auction in FY17 based on fixed rate rental arrangement offering yields of 5.24% and borrowing PKR 71 billion against the maturing Ijara Sukuk of PKR 50 billion evidencing a scarcity of avenues for Islamic investments.

EQUITIES MARKET OVERVIEW

Despite taking significant battering in the last one and a half month of FY17, index managed to post a gain of 23.24%. The index declined by 11.94% from its high of 52,876 points witnessed in May, 2017 by end of June, 2017. Increased concerns regarding JIT proceedings and disappointing net foreign flows post MSCI up gradation led to negative returns. Foreigners remained net sellers, liquidating a massive USD 652 million worth of equities with majority of the selling absorbed by mutual funds (USD 575 million). Average volumes increased by ~64% to 340 million shares and value traded increased by ~58 % to PKR 15 billion.

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Among the best performers, Steel sector lead the charts, outperforming the benchmark index by a massive ~198% as strong infrastructural activities under the CPEC regime, along with government's favorable policies in terms of imposition of regulatory and anti-dumping duties on various steel products provided strong investor's interest in the sector. Furthermore, the share prices started incorporating capacity enhancement projects. Phenomenal return of ~98% made the Auto Sector, second best performer in the market. The outperformance came in due to stream of new model launches, impressive sales volumes and announcement of taxi scheme in the budget. Oil and Gas sector witnessed an astounding growth driven by two factors; one of which is a volumetric growth of ~10% in OMCs while the second is announcement of capital projects worth PKR 110 billion by SNGP which are to be completed by 2018.

On the flip side, Fertilizers remained among the weak performers by losing ~11% as rising inventories coupled with discounts on urea prices took a toll on the sector. Furthermore, depressing international fertilizer prices abraded the pricing power of local manufacturers and dampened the potential export margins. Similarly, underperformance of cement sector by ~7% against the benchmark was also witnessed during the period under review, as international coal prices surged by ~30% YoY reaching a peak of \$100 in November, 2016. Furthermore, Cherat Cement's expansion in the North region challenged the dynamics of pricing arrangement, as a result of which cement prices were reduced by 4-5% in the region keeping the stock prices under pressure.

FUND PERFORMANCE

During the period under review, the fund posted a return of 4.50% compared to the benchmark return of 4.88%. On the equities front, the overall allocation was increased to 3.2% from 1.2%. On the fixed income side, the fund's exposure in PIBS remained at 0.0%.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 487 million as compared to Rs. 900 million as at June 30, 2017 registering a decrease of 45.87%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 101.2718 as compared to Rs 101.4252 as at June 30, 2017 a decrease of 0.1534 per unit.

FUTURE OUTLOOK

The windfall gains that emerged in past couple of years had been a byproduct of subdued oil prices, which painted a rosy picture on external account, CPI, discount rate and even fiscal account in terms of less burden in terms of subsidies. Though international commodity outlook still appear bearish but rising current account deficit is posing a challenging scenario going ahead.

The trade imbalance of USD 27 billion in FY17 could deteriorate further with machinery imports under CPEC and several local capital projects are expected to lead the import bill. Exports on the other hand, are expected to remain under pressure given muted response of government towards the rebates under the textile package and government's resilience to support Pakistani rupee through foreign exchange reserves. With widening trade deficit and little help from remittances, we expect next year current account deficit to reach near USD 15 billion (~4% of GDP) still far from what we have seen in our last balance of payment crisis, which dragged CAD to ~USD 14 billion (8% of GDP) back in 2008. However widening CAD coupled with interest repayment may create a financing need of USD 18-19bn in FY18, which points towards strong possibility of PKR depreciation.

The Consumer Price Index (CPI) is expected to remain well anchored in FY18. We expect inflation to average around 4.5% in FY18. Currency devaluation and commodity prices though pose risk to estimates, low CPI reading next year is expected to prevent need for near term significant monetary tightening.

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth. The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

Themes of currency depreciation, interest rate rise and economic growth are expected to set the investment tone in the coming fiscal year. Sectors positively linked with currency weakness are expected to garner lime light namely, Commercial Banks, Exploration & Production and Power sector. Select growth plays in Power, Steel, Construction and Consumer space are also expected to add positive contributions to market performance.

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index

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

currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

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

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 14, 2018



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

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

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

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”اے ایف فرگوسن اینڈ کمپنی“ 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 ”ڈیلویٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ چارٹرڈ اکاؤنٹنٹس کی تقرری کی گئی ہے۔ ڈیلویٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے بھی فنڈ کے آڈیٹرز کے طور پر کام کرنے کے لئے رضامندی کا اظہار کیا ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں 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

- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریننگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب 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

2. ہیومن ریسورس اینڈ ریوژیشن کمیٹی کی میٹنگ

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

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

ڈائریکٹر رپورٹ

انٹریسٹ کی پست شرح کے ماحول کے ساتھ ساتھ CPEC سے منسلک منصوبوں کی بنیاد پر حکومت کا مجموعی ملکی پیداوار کا 6 فیصد ہدف زیادہ بلند نہیں معلوم ہوتا، اگر خارجی اکاؤنٹ کا جھکا اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اتار نہ دے۔

ایکویٹی مارکیٹ پانا مسئلے کے نتیجے کی بنیاد پر اپنا اگلا قدم طے کرنے کے لئے تیار ہے۔ مارکیٹ اپنے عروج سے تقریباً 13 فیصد زوال کے بعد بظاہر وزیر اعظم ہاؤس میں تبدیلی کے خطرے کے حوالے سے احتیاطی تدابیر اختیار کر چکی ہے، تاہم عدالتی فیصلے کے نتیجے میں پی ایم ایل (این) کا شیرازہ بکھرنے اور وزیر خزانہ کی نااہلیت سے مختصر المیعاد مارکیٹ کے حالات مزید بگڑ سکتے ہیں کیونکہ یہ اگلے انتخابات میں معلق پارلیمنٹ کے امکانات کا اشارہ ہوگا۔

روپے کی قدر میں کمی، انٹریسٹ کی شرح میں اضافہ اور معاشی ترقی آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبے مثلاً کمرشل بینک، ایکسپلوریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شرحوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفنی شعبوں میں ترقیاتی عمل متوقع طور پر مارکیٹ کی کارکردگی میں مثبت کردار ادا کرے گا۔

ہم اُمید کرتے ہیں کہ آنے والے مہینوں میں اصول سیاسی شور پر غالب ہوں گے، کیونکہ ہماری مارکیٹ 9x کے PER پر تجارت کر رہی ہے (جو ابھرتی ہوئی مارکیٹس کو 30 فیصد ڈسکاؤنٹ ہے) جس سے شرحوں کے دوبارہ تعین کے لئے حالات سازگار ہوں گے۔ علاوہ ازیں، انٹریسٹ کی پست شرحیں مقررہ آمدنی کے منافعوں کو پست رکھے ہوئے ہیں، جس سے ایکویٹی مارکیٹ کی طرف مزید لیکویڈٹی مائل ہو رہی ہے۔ KSE-100 انڈیکس میں فی الوقت ایکویٹی کے خطرات کے 3 فیصد پریمیم پر تجارت ہو رہی ہے اور 5.5 فیصد ڈیویڈنڈ فراہم ہوتا ہے۔

کارپوریٹ گورننس

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

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
b. فنڈ کی درست بگس آف اکاؤنٹس تیار کی گئی ہیں۔

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

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

e. انٹرل 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۔

ڈائریکٹرز رپورٹ

اس کے برعکس کھاد کے شعبے نے 11 فیصد کم ترقی کر کے کمزور کارکردگی کا مظاہرہ کیا کیونکہ انویسٹریز میں اضافے اور یورپ کی قیمتوں میں ڈسکاؤنٹس نے اس شعبے پر منفی اثرات مرتب کئے۔ علاوہ ازیں، کھاد کی بین الاقوامی قیمتوں میں کمی کے باعث مقامی مینوفیکچررز کی قیمت متعین کرنے کی طاقت اور متوقع برآمداتی آمدنی متاثر ہوئی۔ سیمنٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران مقررہ معیار سے 7 فیصد کم ترقی کی کیونکہ کونکے کی بین الاقوامی قیمتیں 30 فیصد YoY اضافے کا شکار ہو کر نومبر 2016ء میں 100 ڈالر کی بلند ترین سطح تک پہنچ گئیں۔ علاوہ ازیں، چراٹ سیمنٹ کی شمالی خطے میں توسیع کے باعث قیمتوں کے تعین کے نظام کے لئے مشکلات پیدا ہوئیں جس کے نتیجے میں خطے میں سیمنٹ کی قیمتیں 4 سے 5 فیصد کم ہو گئیں اور اسٹاک کی قیمتیں دباؤ میں آ گئیں۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ نے 4.50 فیصد منافع حاصل کیا جبکہ مقررہ معیار 4.88 فیصد تھا۔ ایکویٹیز کے رُخ پر مجموعی اختصاص کو 1.2% سے بڑھا کر 3.2% کر دیا گیا۔ مقررہ آمدنی کی جہت میں فنڈ کی پاکستان انویسٹمنٹ بانڈز (PIBs) میں شمولیت 0.0% پر برقرار رہی۔ 30 جون 2018ء کو فنڈ کے net اثاثہ جات 487 ملین روپے تھے، جو 30 جون 2017ء کو 900 ملین روپے کے مقابلے میں 45.87% کم ہے۔ 30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) نی یونٹ 101.2718 روپے تھی، جو 30 جون 2017ء کو 101.4252 روپے ابتدائی NAV کے مقابلے میں 0.1534 روپے نی یونٹ کم ہے۔

مستقبل کا منظر

گزشتہ چند برسوں میں حاصل ہونے والے خطیر منافع جات تیل کی قیمتوں میں کمی کے ثمرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور حتیٰ کہ مالیاتی اکاؤنٹ کی بھی صورتحال سبسڈیز کے بوجھ میں کمی کے اعتبار سے بہتر ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پُر نظر آ رہی ہیں۔

مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کیپیٹل منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل پیکیج کے تحت ری بیٹس کے حوالے سے حکومت کی خاموشی اور زرمبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی پلک کے باعث برآمدات متوقع طور پر دباؤ میں رہیں گی۔ بڑھتے ہوئے تجارتی خسارے اور ترسیلات زر کی کمزور صورتحال کی بنیاد پر ہم اگلے سال کرنٹ اکاؤنٹ کے خسارے کو 15 بلین ڈالر (مجموعی ملکی پیداوار کا 4 فیصد) تک پہنچا دیکھ رہے ہیں، جو 2008ء میں ادائیگیوں کے توازن کے بحران میں پیدا ہونے والے حالات سے اب بھی بہت دور ہے، جب کرنٹ اکاؤنٹ کا خسارہ 14 بلین ڈالر (مجموعی ملکی پیداوار کا 8 فیصد) تک پہنچ گیا تھا۔ تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے کے ساتھ ساتھ انٹریسٹ کی ادائیگی کے باعث مالی سال 2018ء میں 18-19 بلین ڈالر کی مالیت کی فراہمی کی ضرورت پیدا ہو سکتی ہے، جس کے باعث پاکستانی روپے کی قدر میں کمی کا واضح امکان ہے۔

کنزرویٹو پرائس انڈیکس (CPI) مالی سال 2018ء میں مناسب حد تک قابو میں رہے گا۔ ہمارے اندازے کے مطابق مالی سال 2018ء میں افراط زر کا اوسط 4.5 فیصد ہوگا۔ اگرچہ روپے کی قدر میں کمی اور اشیاء کی قیمتوں کے باعث تخمینوں کو خطرات لاحق ہیں، لیکن توقع ہے کہ اگلے سال CPI کی پست سطح کے سبب مدت قریب میں مالیاتی تنگی کی ضرورت نہیں پڑے گی۔

ڈائریکٹر رپورٹ

پرائیویٹ قرضہ جات میں اضافہ ہے۔ مارچ 2017ء تک پاکستان مجموعی طور پر 23.95 ٹریلین روپے کا قرض دار تھا، جو ایک سال کے دوران 2.33 ٹریلین روپے کا اضافہ ہے۔

اسٹیٹ بینک آف پاکستان نے اپنے تازہ ترین مالیاتی پالیسی کے جائزے برائے اگلے دو ماہ میں پالیسی کی شرح کو متواتر ساتویں مرتبہ 5.75 فیصد برقرار رکھا ہے۔ پالیسی کمیٹی کی بدستور مثبت خیالی کی بنیاد CPEC اور دیگر منصوبے ہیں جن کی بدولت دوران سال روپیہ نسبتاً مستحکم رہا اور ان کے ذریعے مستقبل میں آمدات متوقع ہیں۔ بازار زر میں موجودہ غیر یقینی سیاسی صورتحال کی بھی عکاسی ہوئی، جہاں اسٹیٹ بینک آف پاکستان کی فراہم کردہ ایک عارضی چھوٹ کے نتیجے میں ایک دن میں تقریباً 4 فیصد کمی ہوئی۔ تاہم بعد ازاں وزیر خزانہ کی پیش کردہ صفائی اور قیاسی کارروائیوں سے جنگ کے بھرپور عزم کے اظہار کے نتیجے میں صورتحال بحال ہو گئی۔

ادائیگیوں کے توازن کے خسارہ جات کے باعث بینکاری کے نظام کے Net غیر ملکی اثاثہ جات سکڑ گئے۔ مالی سال 2016ء کے اختتام پر 1.0 ٹریلین روپے تھے جبکہ مالی سال 2017ء کے اختتام پر صرف 601 بلین روپے رہ گئے۔ حکومت کے خطیر بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی (+13.7 فیصد Y/Y) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک آف پاکستان پر انحصار کرتے ہوئے 908 بلین روپے قرض حاصل کیا جس کے نتیجے میں مقامی بینکوں کو خاطر خواہ لکویڈٹی فراہم ہوئی۔ مالی سال 2017ء کی دوسری ششماہی میں پیداواری خم سیدھا رہا، جبکہ اسٹیٹ بینک آف پاکستان نے لکویڈٹی کا انتظام خاطر خواہ حد تک چلایا۔

مارکیٹ میں شریعہ انسٹرمنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

مالی سال 2017ء کے آخری ڈیڑھ ماہ میں قابل ذکر کمی کے باوجود انڈیکس 23.24 فیصد ترقی کرنے میں کامیاب ہوا۔ انڈیکس مئی 2017ء میں اپنے عروج کی سطح 52,876 پوائنٹس سے جون 2017ء کے اختتام پر 11.94 فیصد کم ہو گیا۔ بے آئی ٹی کے معاملات کے حوالے سے بڑھتی ہوئی تشویش اور MSCI اپ گریڈیشن کے بعد net غیر ملکی آمدات کی مایوس کن صورتحال کے نتیجے میں منافع کی سطح گر گئی۔ Net فروخت کار بدستور غیر ملکی افراد رہے جنہوں نے 652 ملین ڈالر کی خطیر مالیت کی ایکویٹیز کو نقد میں تبدیل کیا اور فروخت کا اکثر حصہ میچول فنڈز نے جذب کیا (575 ملین ڈالر)۔ اوسط حجم 64 فیصد زیادہ ہو کر 340 ملین حصص ہو گئے اور تجارت کردہ قدر 58 فیصد بڑھ کر 15 بلین روپے ہو گئی۔

بہترین کارکردگی کا مظاہرہ کرنے والوں میں اسٹیل کا شعبہ مقررہ معیار سے 198 فیصد زیادہ ترقی کر کے سب سے آگے رہا کیونکہ CPEC پروگرام کے تحت انفراسٹرکچر کے ضمن میں متحرک سرگرمیوں اور اسٹیل کی متعدد مصنوعات پر ریگولیٹری اور فضلات کے انتظام کی محصولات عائد کرنے کے حوالے سے حکومت کی موافق پالیسیوں کی بدولت اس شعبے میں سرمایہ کاروں کی بھرپور دلچسپی پیدا ہوئی۔ علاوہ ازیں، حصص کی قیمتوں میں استعداد میں اضافے کے منصوبوں کی عکاسی ہونے لگی۔ آٹو سیکٹر 98 فیصد ترقی کر کے مارکیٹ میں دوسرے نمبر پر بہترین کارکردگی کا حامل شعبہ رہا۔ اس شاندار کامیابی کے اسباب نئے ماڈل، فروخت کے بڑے حجم اور بجٹ میں ٹیکسی اسکیم کا اعلان ہیں۔ تیل اور گیس کے شعبے میں دو عوامل کیے باعث زبردست ترقی ہوئی: OMCs کے حجم میں 10 فیصد اضافہ اور SNGP کی جانب سے 110 بلین روپے مالیت کے کپٹل منصوبوں کا اعلان، جو 2018ء میں مکمل ہوں گے۔

بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی پاکستان فریکوینٹ پے آؤٹ فنڈ کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

مالی سال 2017ء میں پاکستان کی معیشت نے 5.28 فیصد ترقی کی جو گزشتہ دس سالوں میں سب سے زیادہ ترقی ہے۔ اگرچہ 5.7 فیصد کا ہدف حاصل نہ ہو سکا لیکن اس کے باوجود استحکام کے مرحلے سے ترقی کی بلند شرح کی طرف سفر خوش آئند ہے۔ زرعی شعبہ سب سے آگے رہا جس نے ایک سال قبل 0.26 فیصد ترقی کی تھی جبکہ اس سال 3.5 فیصد ترقی کی۔ اس کی معاونت سروسز نے 6 فیصد YoY ترقی کے ساتھ کی۔ صنعتی رُخ پر بڑے پیمانے کے مینوفیکچرنگ شعبے نے 11MFY17 میں 5.7 فیصد ترقی کی، اور اس میں اہم ترین کردار صارنی، تعمیراتی اور توانائی کے شعبوں نے ادا کیا۔ گاڑیوں کے شعبے نے دو عدد پر مشتمل ترقی کی؛ اس شعبے میں مانگ بڑھتی رہی اور مقامی OEMs نے نئے ماڈل متعارف کرائے۔ CPEC سے منسلک اور دیگر انفراسٹرکچر کی سرمایہ کاری کی بدولت تعمیرات سے منسلک صنعتوں مثلاً اسٹیل اور سینٹ کوکوت فراہم ہونے کا عمل جاری رہا۔

خارجی رُخ پر درآمدات میں 17.7 فیصد اضافے اور برآمدات میں 1.4 فیصد کمی کے باعث تجارتی خسارہ وسیع ہو کر مالی سال 2017ء میں 26.9 بلین ڈالر ہو گیا جبکہ ایک سال قبل 19.3 بلین ڈالر تھا۔ درآمدات میں اہم ترین کردار پٹرولیم مصنوعات نے 10.6 بلین ڈالر یعنی 21 فیصد زیادہ ترقی کی صورت میں ادا کیا۔ دوسرے نمبر پر خوراک (15 فیصد YoY اضافہ) اور مشینری (10 فیصد YoY اضافہ) کے شعبے رہے۔ تیل کی قیمتوں میں اضافے، گیس کی کمی کو پورا کرنے کے لئے ایل این جی کی درآمدات، صارنی مصنوعات کی مانگ میں تیزی سے بڑھتے ہوئے اضافے، اور مختلف منصوبوں کے لئے کپٹل اشیاء کی درآمد کے باعث مالی سال 2017ء میں درآمدات کا بل 48.5 بلین ڈالر تک پہنچ گیا۔

مالی سال 2017ء میں ترسیل زر گزشتہ سال کے مقابلے میں 3.08 فیصد کمی کا شکار ہو کر 19.3 بلین ڈالر ہو گئیں، اور اس کے اہم ترین اسباب مشرق وسطیٰ میں روزگار کی صورتحال اور عالمی سطح پر متوقع سے کم حصولیات ہیں۔

مندرجہ بالا دو اسباب (ترسیل زر میں کمی اور CA خسارے میں اضافے) کے نتیجے میں غیر زرمبادلہ کے ذخائر پر دباؤ بڑھ رہا ہے، جو زیر جائزہ سال کے اختتام پر 21.368 بلین ڈالر تھے، اور یہ یکم جولائی 2016ء سے تاحال 1.72 بلین ڈالر کمی ہے۔

عرب لائٹ کی اوسط قیمتوں میں 19 فیصد YoY اضافے کے باوجود CPI کی سطح پست رہی اور اس میں مالی سال 2017ء کے دوران 4.15 فیصد اضافہ ہوا، جس کی سب سے بڑی وجہ خوراک، نقل و حمل اور رہائشی کرائے کے شعبوں میں قابل ذکر ترقی ہے۔

حکومت مالیاتی خسارے کو 4.2 فیصد پر برقرار رکھ سکی جو متعین شدہ ہدف 3.8 فیصد سے تھوڑا زیادہ ہے۔ مجموعی اخراجات اور مجموعی آمدنی، دونوں میں 12 فیصد YoY اضافہ ہوا جبکہ مالیاتی توازن میں 11 فیصد YoY اضافہ ہوا۔ حکومت نے مالی سال 2018ء کے لئے مالیاتی خسارے کا ہدف 4.1 فیصد متعین کیا ہے۔

CA خسارے کے علاوہ ایک اور تشویشناک امر تجارتی خسارے میں اضافہ، اور اس بڑھتے ہوئے فرق کو پُر کرنے کے لئے مالیات فراہم کرنے کے لئے پبلک اور

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

Fund Type and Category

MCB Pakistan Frequent Payout Fund is an Open-End Asset Allocation Scheme.

Fund Benchmark

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

Investment Objective

MCB Pakistan Frequent Payout Fund is an asset allocation fund and its objective is to provide investors regular monthly payments by investing Fund's assets in Debt and Equity instruments.

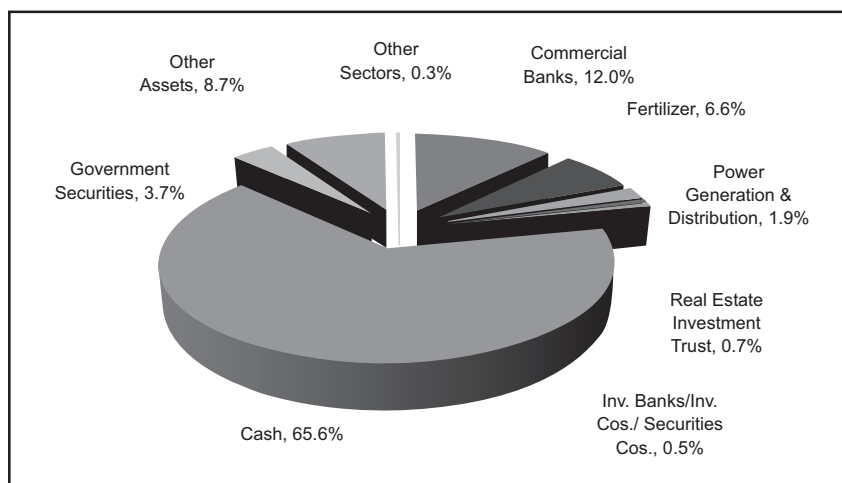
Investment Strategy

The Fund shall be subject to such exposure limits as are specified in the Rules, the Regulations and directives issued by SECP from time to time. The fund has the investment philosophy that it will invest its major portion i-e 80% of its assets in Fixed Income Securities and up to 20% of its assets in Equity Market. The investment philosophy is to earn optimal profit, in order to make distribution of payment to the unit holders at the end of each month on the basis of units held by them.

Manager's Review

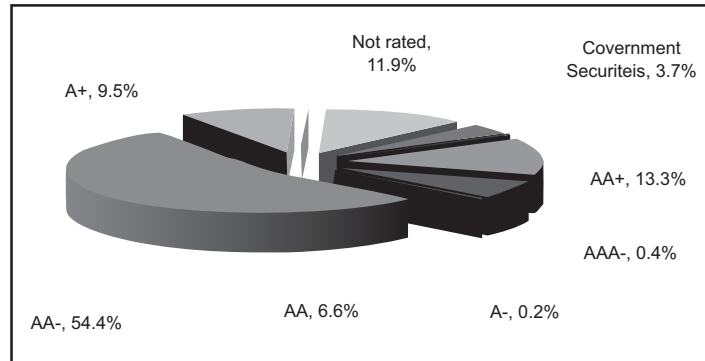
The fund posted a return of 4.50% during the period under review against the benchmark return of 4.88%. The fund increased its exposure in cash from 59.2% to 65.6%. Exposure in T-bills decreased to 3.7% from 8.2% and increased from 0.1% to 18.8% in TFCs.

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



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

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



Syed Abid Ali
Fund Manager

Karachi: September 6, 2018

TRUSTEE REPORT TO THE UNIT HOLDERS



MCB FINANCIAL SERVICES LIMITED

REPORT OF THE TRUSTEE TO THE UNIT HOLDERS

MCB PAKISTAN FREQUENT PAYOUT FUND

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

MCB Pakistan Frequent Payout Fund, an open-end Scheme established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited as Management Company and MCB Financial Services Limited as Trustee on 22nd July 2015. The scheme was approved by Securities & Exchange Commission of Pakistan on 16th July 2015.

1. MCB Arif Habib Savings and Investments Limited, the Management Company of MCB Pakistan Frequent Payout Fund has, in all material respects, managed MCB Pakistan Frequent Payout Fund during the year ended 30th 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 17, 2018

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of MCB Pakistan Frequent Payout Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of MCB Pakistan Frequent Payout Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' funds 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 June 30, 2018, and of its financial performance, its cash flows and transactions 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 period. 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:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Amendments to NBFC Regulations, 2008 (Refer note 3.9 to the annexed financial statements) The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Funds'.	We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income. We performed walkthrough tests for ensuring compliance with the revised requirements and in this respect obtained reports of distribution of income and refund of capital by the Fund.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Funds. Element of income is explained in note 3.9.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the year. Accordingly, the net amount appearing on the "Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>In order to avail tax exemption, the Fund has to distribute 90 percent of its accounting income (excluding realised and unrealised capital gains). However, at the time of distribution of income, the element of income contributed on issue of units recognized in the equity during the year is required to be refunded on the units in the same proportion in which income is distributed from the Income Statement i.e after taking into account the amount of income already paid on units redeemed. Management has developed a system for carrying out the calculations for such distributions.</p> <p>These calculations are important from the point of view of ensuring compliance with the applicable requirements. The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	<p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the revised regulations.</p> <p>We recalculated the profit available for distribution taking into account amount already distributed at the time of redemption.</p> <p>We verified the accuracy of the management report for allocation of distributable amount between "distribution out of income" and "refund of capital". This included testing the parameters of the report.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p>
2	Net Asset Value	
	<p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and bank balances constitute the most significant component of the net assets value. The investments of the Fund as at June 30, 2018 amounted to Rs 136.603 million and bank balances aggregated to Rs 348.931 million.</p> <p>The proper valuation of investments and bank balances for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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S. No.	Key Audit Mattes	How the matter was addressed in our audit
		<ul style="list-style-type: none">Obtained bank reconciliation statements and tested reconciling items on a sample basis.

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 auditor's report thereon.

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

Management is responsible for the preparation and fair presentation of these 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.

Board of directors of the management company is responsible for overseeing the Fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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- 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 board of directors of the management company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with board of directors of the management company, 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.

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is **Noman Abbas Sheikh**.

Affergerson & Co

Chartered Accountants
Karachi

Date: September 24, 2018

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 ------(Rupees in '000)-----	2017
ASSETS			
Bank balances	4	348,931	541,451
Investments	5	136,603	290,609
Dividend and profit receivable	6	1,848	1,800
Advances, deposits and other receivables	7	4,259	5,242
Preliminary expenses and floatation costs		347	495
Receivable against margin trading system		-	16,065
Receivable against sale of investments		37,388	38,360
Receivable from National Clearing Company of Pakistan Limited		2,285	20,286
Total assets		531,661	914,308
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	591	1,950
Payable to MCB Financial Services Limited - Trustee	9	54	102
Payable to the Securities and Exchange Commission of Pakistan	10	631	996
Payable against purchase of investments		36,167	-
Accrued expenses and other liabilities	11	7,667	7,939
Dividend payable		-	3,725
Total liabilities		45,110	14,712
NET ASSETS		486,551	899,596
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		486,551	899,596
CONTINGENCIES AND COMMITMENTS	12		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		4,804,405	8,869,552
		(Rupees)	
NET ASSET VALUE PER UNIT		101.2718	101.4252
FACE VALUE PER UNIT		100.0000	100.0000

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

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
INCOME			
Gain on sale of investments - net		1,236	16,073
Unrealised (diminution) / appreciation on re-measurement of investments at fair value through profit or loss - net	5.3	(2,396)	(61)
Profit / mark-up on:			
- Bank balances		16,140	15,903
- Government securities		10,598	32,444
- Money market placements		6,278	8,095
- Other debt securities		6,737	32
Dividend income		3,949	6,875
Income on margin trading system		1,909	677
(Loss) / Income on spread transactions		(1,422)	2,199
Other income		159	252
Total income		43,188	82,489
EXPENSES			
Remuneration of the Management Company	8.1	6,689	10,971
Sindh sales tax on remuneration of the Management Company	8.2	870	1,426
Remuneration of the trustee	9.1	797	1,223
Sindh sales tax on remuneration of the trustee	9.2	104	159
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	631	996
Allocated expenses and related taxes	8.3	750	1,187
Brokerage and settlement charges		1,378	3,888
Auditors' remuneration	13	666	670
Selling and marketing expenses	8.4	1,053	1,046
Provision against Sindh Workers' Welfare Fund	11.2	582	1,515
Amortization of preliminary expenses and floatation costs		148	147
Legal and professional charges		143	60
Other expenses		846	858
Total expenses		14,657	24,146
Net income for the year before Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		28,531	58,343
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed - net			
- arising from realized / unrealized gains / (losses)		-	(9,835)
- arising from other income		-	4,895
		-	(4,940)
Net income for the year before taxation		28,531	53,403
Taxation	15	-	-
Net income for the year after taxation		28,531	53,403
Earnings per Share	3.13	-	-
Allocation of net income for the year			
Net income for the year after taxation		28,531	
Income already paid during the year		(278)	
		28,253	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		28,253	
		28,253	

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	2018 -----(Rupees in '000)-----	2017
Net income for the year after taxation	28,531	53,403
Other comprehensive income for the year		
Items that are or may be reclassified subsequently to the income statement		
- Unrealised appreciation on re-measurement of investments classified as available-for-sale'	-	-
- Unrealised appreciation on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments	-	(190)
Total comprehensive income for the year	<u>28,531</u>	<u>53,213</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended June 30, 2018				For the year ended June 30, 2017
	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on 'available for sale' investments	Total	Total
Rupees in '000					
Net assets at beginning of the year	886,955	12,641	-	899,596	796,202
Issue of 682,014 units (2017: 8,429,679 units)					
- Capital value (at net asset value per unit at the beginning of the year)	69,173	-	-	69,173	850,249
- Element of loss	(182)	-	-	(182)	(2,549)
Total proceeds on issuance of units	68,991	-	-	68,991	847,700
Redemption of 4,747,161 units (2017: 7,504,644 units)					
- Capital value (at net asset value per unit at the beginning of the year)	481,482	-	-	481,482	756,421
- Element of income	(1,932)	278	-	(1,654)	2,391
Total payments on redemption of units	479,550	278	-	479,828	758,812
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	-	4,940
Total comprehensive income for the year	-	28,531	-	28,531	53,213
Distribution during the year	-	(30,739)	-	(30,739)	(43,647)
Net income (loss) for the year less distribution	-	(2,208)	-	(2,208)	9,566
Net assets at end of the year	476,396	10,155	-	486,551	899,596
Undistributed income / (loss) brought forward					
- Realised		12,707			1,170
- Unrealised		(66)			391
		12,641			1,561
Accounting income available for distribution					
- Relating to capital gains		-			
- Excluding capital gains		28,253			
		28,253			
Net income / (loss) for the year after taxation		-			53,403
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		-			1,324
Distribution for the year		(30,739)			(43,647)
Undistributed income / (loss) carried forward		10,155			12,641
Undistributed income / (loss) carried forward					
- Realised income		12,551			12,707
- Unrealised income / (loss)		(2,396)			(66)
		10,155			12,641
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the year				101.4252	100.2203
Net assets value per unit at end of the year				101.2718	101.4252

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

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the year after taxation		28,531	53,403
Adjustments for:			
Unrealised diminution / (appreciation) on re-measurement of investments at fair value through profit or loss - net		2,396	61
Provision against Sindh Workers' Welfare Fund		582	1,515
Element of loss / (income) and capital losses / (gains) included in the prices of units issued less those in units redeemed - net		-	9,835
- arising from realized / unrealized gains / (losses)		-	(4,895)
- arising from other income		31,509	59,919
Decrease / (increase) in assets			
Investments - net		188,749	240,936
Dividend and profit receivable		(48)	18,768
Advances, deposits and other receivables		983	(1,946)
Preliminary expenses and floatation costs		148	147
Receivable against margin trading system		16,065	(16,065)
Receivable from National Clearing Company of Pakistan Limited		18,001	(5,488)
		223,898	236,352
(Decrease) / increase in liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		(1,359)	(5,222)
Payable to MCB Financial Services Limited - Trustee		(48)	17
Payable to the Securities and Exchange Commission of Pakistan		(365)	669
Fair value of derivative liability		-	(580)
Accrued expenses and other liabilities		(854)	736
		(2,626)	(4,380)
Net cash flows (used in) / generated from operating activities		252,781	291,891
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received against issuance of units		68,991	847,700
Amount paid against redemption of units		(479,828)	(758,812)
Cash distributions made during the year		(34,464)	(39,922)
Net cash flows (used in) / generated from financing activities		(445,301)	48,966
Net increase in cash and cash equivalents during the year		(192,520)	340,857
Cash and cash equivalents at beginning of the year		541,451	200,594
Cash and cash equivalents at end of the year	4	348,931	541,451

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Frequent Payout Fund ("the Fund") was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and the Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on 16 July 2015. It was constituted under a Trust Deed dated 22 July 2015 between MCB-Arif Habib Savings and Investments Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and MCB Financial Services Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.

The Fund has been categorised as an "Asset Allocation Scheme" in accordance with the requirements of circular no. 7 of 2009 dated March 6, 2009 issued by the SECP. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ (AM two plus plus) dated December 28, 2017 to the Management Company, while the Fund has been assigned a Fund performance rating of 4-star on May 24, 2018.

Title to the assets of the Fund is held in the name of MCB Financial Services Limited as the Trustee of the Fund.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017, along with part VIIIA of the repealed Companies Ordinance, 1984; and
- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

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

2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amendments to the standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

2.3 Standards, Interpretations and amendments to published approved accounting standards that are not yet effective

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

2.3.1 The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or
- IFRS-9 Financial Instruments	01 July 2018
- IFRS-15 Revenue from contracts with customers	01 July 2018
- IFRS-16 Leases	01 January 2019

2.3.2 These standards may impact the financial statements of the Fund on adoption. The Management is currently in the process of assessing the full impact of these standards on the financial statements of the Fund.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The areas involving a degree of judgment or complexity, or areas where estimates and assumptions are significant to the financial statements are as follows:

- Classification and valuation of investments (note 3.2 and 5)
- Impairment of financial assets (note 3.2.6)
- Taxation (note 3.6 and 15)

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets into the following categories: financial assets at fair value through profit or

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

loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

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

c) 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) financial assets at fair value through profit or loss or (b) loans and receivables. 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.

3.2.2 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in fair value of derivative asset and derivatives with negative fair values (unrealised losses) are included in fair value of derivative liability in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

3.2.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.2.4 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

3.2.5 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value.

Gains or losses arising, from changes in the fair value and on sale of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Changes in the fair value of financial instruments classified as 'available-for-sale' are recognised in other comprehensive income until derecognised or impaired, when the accumulated fair value adjustments recognised in other comprehensive income are included in the Income Statement.

Basis of valuation

- The fair value of investments in listed equity securities is determined by reference to Stock Exchange quoted market prices at the close of period end.

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

- The fair value of investments in Government securities is determined by reference to the quotations obtained from the PKRV rate sheet on the MUFAP website.
- The fair value of investments in Term Finance Certificates (TFCs) and Sukuks is determined by reference to the quotations obtained from valuation sheet on the MUFAP website except as specified when a discretionary discount rate is adopted for valuation.

b) Loans and receivables

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

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.6 Impairment

The Fund assesses at each reporting date whether there is an objective evidence that the financial assets or a group of financial assets are impaired. The carrying value of the Fund's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount.

In the case of equity securities classified as 'available for sale', a significant or prolonged decline in the fair value of the security below its cost is considered as an objective evidence of impairment. In case of impairment of available for sale securities, the cumulative loss previously recognised in other comprehensive income is removed therefrom and included in the Income Statement. Impairment losses recognised in the income statement on equity securities are only reversed when the equity securities are derecognised.

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.7 Derecognition

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

3.3 Financial liabilities

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

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

3.4 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 recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

3.5 Provisions

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

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

3.6 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

3.7 Dividend distribution and appropriations

Dividend distributions and appropriations are recorded in the period in which these are approved by the Board of Directors of the Management Company. Based on Mutual Funds Association of Pakistan's (MUFAP) guidelines duly consented by the SECP, distribution for the year also includes portion of income already paid on units redeemed during the year.

Regulation 63 of the NBFC Regulations requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders.

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared and approved by the Board of Directors of the Management Company.

3.8 Issue and redemption of units

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

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

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

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

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution

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

Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income / (loss) been recognised as per the previous accounting policy, the Income Statement of the Fund would have been higher by Rs 1.443 million net off charge for SWWF provision in respect of element of income and the NAV per unit of the Fund would have decreased by Re. 0.0060. However, the change in accounting policy does not have any impact on the 'Cash flow Statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund which have been incorporated in these statements.

3.10 Net asset value per unit

The Net Asset Value (NAV) per unit, as disclosed in the statement of assets and liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

3.11 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as available for sale is included in other comprehensive income in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances, term deposit receipts and government securities is recognised on an accrual basis using the effective interest method.
- Income from investments in term finance certificates / sukuks and government securities is recognised on an accrual basis.

3.12 Expenses

All expenses including management fee and trustee fee are recognised in the Income Statement on an accrual basis. Allocated expenses (note 8.3) and selling and marketing expenses (note 8.4) are recognised at the rate of 0.1% and 0.4% per annum respectively of the average annual net assets of the Fund.

3.13 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.

3.14 Margin Trading System

Transactions of purchase under Margin Trading System (MTS) of marketable securities are entered into at contracted rates for specified periods of time. Securities purchased under MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreements is recognised as receivable in respect of MTS. Profit is recognised on an accrual basis. Cash releases are adjusted against the receivable as a reduction in the amount of receivable. The maximum maturity of an MTS contract is 60 calendar days out of which 25 percent exposure is automatically released at expiry of every 15th day from the date of contract.

3.15 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of the operations of the Fund. These costs are being amortised over five years in accordance with the requirements set out in the Trust Deed of the Fund and the Non- Banking Finance Companies and Notified Entities Regulations, 2008.

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

4	BANK BALANCES	Note	2018	2017
			(Rupees in '000)	
	Bank balances - in saving accounts	4.1	<u>348,931</u>	<u>541,451</u>
4.1	These carry profit rates ranging from 3.75% to 8.10% (2017: 3.75% to 6.35%) per annum. These balances include Rs 1.487 million (2017: Rs 3.330 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 3.75% (2017: 3.75%) per annum and Rs 0.847 million maintained with Silkbank Limited (a related party) which carries profit at the rate of 7.5% per annum.			
5	INVESTMENTS	Note	2018	2017
			(Rupees in '000)	
	At fair value through profit or loss - held for trading			
	- Listed equity securities	5.1.1	17,057	10,841
	- Government securities - Market Treasury Bills	5.1.2	19,782	74,768
	- Term Finance Certificates - Unlisted	5.1.3	63,743	-
	- Sukuk certificates - Unlisted	5.1.4	35,023	-
	- Sukuk certificates - Listed	5.1.5	998	-
			<u>136,603</u>	<u>85,609</u>
	Loans and receivables			
	Term deposit receipts	5.2	-	205,000
			<u>136,603</u>	<u>290,609</u>
5.1	At fair value through profit or loss - held for trading			
5.1.1	Listed equity securities			

Ordinary shares have a face value of Rs. 10 each unless stated otherwise

Name of investee company	As at July 1, 2017	Purchased during the year	Bonus / right issue during the year	Sold during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as percentage of net assets	Market value as percentage of total investments	Par value as a percentage of issued capital of the investments
	----- (Number of shares) -----				----- (Rupees in '000) -----						
Commercial Banks	-	1,500	-	(1,500)	-	-	-	-	-	-	-
Askari Bank Limited	-	202,000	-	(202,000)	-	-	-	-	-	-	-
Bank Alfalah Limited	-	1,060,500	-	(1,060,500)	-	-	-	-	-	-	-
Bank of Punjab	-	64,000	-	(64,000)	-	-	-	-	-	-	-
Bank Al Habib Limited	-	70,000	-	(70,000)	-	-	-	-	-	-	-
Habib Bank Limited	-	100,000	-	(100,000)	-	-	-	-	-	-	-
Habib Metropolitan Bank Limited	-	735,000	-	(735,000)	-	-	-	-	-	-	-
JS Bank Limited	-	40,000	-	(40,000)	-	-	-	-	-	-	-
MCB Bank Limited*	-	30,000	-	(30,000)	-	-	-	-	-	-	-
National Bank of Pakistan	-	16,500	-	(16,500)	-	-	-	-	-	-	-
United Bank Limited	-	-	-	-	-	-	-	-	-	-	-
Investment Banks / Investment Companies / Securities Companies	-	75,000	-	(29,500)	45,500	2,850	2,776	(74.00)	0.57%	2.03%	0.08%
Arif Habib Limited*	-	-	-	-	-	<u>2,850</u>	<u>2,776</u>	<u>(74)</u>	<u>0.57%</u>	<u>2.03%</u>	<u>0.08%</u>
Chemical	-	483,000	-	(483,000)	-	-	-	-	-	-	-
Engro Polymer & Chemicals	-	11,000	-	(11,000)	-	-	-	-	-	-	-
Descon Oxychem Ltd	-	-	-	-	-	-	-	-	-	-	-
Textile Composite	-	156,500	-	(144,500)	12,000	558	515	(43)	0.11%	0.38%	0.00%
Gul Ahmed Textile Mills Limited	-	42,400	-	(40,000)	2,400	144	132	(12)	0.03%	0.10%	0.00%
Kohinoor Textile Mills Limited	-	44,000	-	(44,000)	-	-	-	-	-	-	-
Nishat (Chunian) Limited*	-	12,000	-	(12,000)	-	-	-	-	-	-	-
Nishat Mills Limited*	-	-	-	-	-	<u>702</u>	<u>647</u>	<u>(55)</u>	<u>0.14%</u>	<u>0.48%</u>	<u>0.00%</u>

* These denote related parties / connected persons.

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

5.1.1.1 The cost of investments in listed equity securities as at June 30, 2018 is Rs. 18.162 million (2017: Rs. 10.9 million).

5.1.2 Government securities - Market Treasury Bills

Tenor	Issue Date	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investment
		As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018					
----- (Rupees in 000) -----										
Treasury bills - 3 months	25-May-17	-	25,000	(25,000)	-	-	-	-	-	-
Treasury bills - 3 months	6-Jul-17	-	75,000	(75,000)	-	-	-	-	-	-
Treasury bills - 3 months	3-AUG-17	-	10,000	(10,000)	-	-	-	-	-	-
Treasury bills - 3 months	23-Nov-17	-	175,000	(175,000)	-	-	-	-	-	-
Treasury bills - 3 months	7-Dec-17	-	50,000	(50,000)	-	-	-	-	-	-
Treasury bills - 3 months	4-Jan-18	-	250,000	(250,000)	-	-	-	-	-	-
Treasury bills - 3 months	18-Jan-18	-	300,000	(300,000)	-	-	-	-	-	-
Treasury bills - 3 months	1-Feb-18	-	30,000	(30,000)	-	-	-	-	-	-
Treasury bills - 3 months	15-Feb-18	-	300,000	(300,000)	-	-	-	-	-	-
Treasury bills - 3 months	12-Apr-18	-	20,000	(20,000)	-	-	-	-	-	-
Treasury bills - 3 months	26-Apr-18	-	150,000	(150,000)	20,000	19,781	19,782	1	4.07%	14.48%
Treasury bills - 3 months	7-Jun-18	-	170,000	(170,000)	-	-	-	-	-	-
Treasury bills - 6 months	30-Mar-17	-	250,000	(250,000)	-	-	-	-	-	-
Treasury bills - 12 months	21-Jul-16	75,000	-	-	-	-	-	-	-	-
Treasury bills - 12 months	20-Jul-17	-	450,000	(450,000)	-	-	-	-	-	-
						19,781	19,782	1	4.07%	14.48%
						74,775	74,768	(7)	8.31%	25.73%

5.1.2.1 The cost of investments in Market Treasury Bills as at June 30, 2018 is Rs 19.763 million (2017: Rs 74.775 million). These carry yield at the rate of 6.74% (2017: 6.03%) per annum and are due to mature on August 30, 2018 (2017: July 20, 2017).

5.1.2.2 The above outstanding treasury bills have been pledged with the National Clearing Company of Pakistan Limited for guaranteeing settlement of the Fund's trades in respect of Margin Trading System (MTS) transactions and spread transactions respectively.

5.1.3 Term Finance Certificates - Unlisted

(Certificates having a face value of Rs.100,000 each)

Name of investee company	As at July 01, 2017	Purchased during the year	Disposed / matured during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of total issue size
----- Number of certificates ----- Rupees in '000 ----- Percentage -----										
Banks										
Bank of Punjab	-	650	-	650	65,021	63,743	(1,278)	46.66%	13.10%	2.60%
Total as at June 30, 2018					65,021	63,743	(1,278)	46.66%	13.10%	2.60%
Total as at June 30, 2017					-	-	-	-	-	-

5.1.3.1 Circular No. 33 of 2012 allows the asset manager to apply a mark up/mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned TFC has been valued at a discretionary rate of 98.1251 when the reported market rate on MUFAP valuation sheet as at June 29, 2018 was 102.2434.

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

5.1.3.2 The cost of unlisted term finance certificates as at June 30, 2018 is Rs.65.047 million (2017: Nil).

5.1.3.3 The terms and conditions of unlisted term finance certificates outstanding as at June 30, 2018 are as follows:

Name of investee company	Rating	Tenure	Profit payments / principal	Secured / unsecured	Issue date	Maturity date	Rate of return
Bank of Punjab	AA-	10 years	Semi-annually	Unsecured	December 23, 2016	December 23, 2026	6 month KIBOR + 1.00%

5.1.4 Sukuk Certificates - Unlisted

(Certificates having a face value of Rs.100,000 each)

Name of investee company	As at July 01, 2017	Purchased during the year	Disposed / matured during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of total issue size
----- Number of certificates ----- Rupees in '000 ----- Percentage -----										
Fertilizer										
Dawood Hercules Corporation Limited	-	500	150	350	35,000	35,023	23	25.64%	7.20%	0.58%
Total as at June 30, 2018					35,000	35,023	23	25.64%	7.20%	0.58%
Total as at June 30, 2017					-	-	-	-	-	-

5.1.4.1 The cost of unlisted sukuk certificates as at June 30, 2018 is Rs. 35 million (2017: Rs. Nil).

5.1.4.2 The terms and conditions of sukuk certificates outstanding as at June 30, 2018 are as follows:

Name of investee company	Rating	Tenure	Profit payments / principal	Secured / unsecured	Issue date	Maturity date	Rate of return
Dawood Hercules Corporation Limited	AA	5 years	Quarterly	Secured	March 1, 2018	March 1, 2023	3 month KIBOR + 1.00%

5.1.5 Sukuk Certificates - Listed

(Certificates having a face value of Rs.100,000 each)

Name of investee company	As at July 01, 2017	Purchased during the year	Disposed / matured during the year	As at June 30, 2018	Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investment	Investment as a percentage of total issue size
----- Number of certificates ----- Rupees in '000 ----- Percentage -----										
Oil Marketing Company										
Byco Petroleum Pakistan Limited	-	10	-	10	1,000	998	(2)	0.73%	0.21%	0.03%
Total as at June 30, 2018					1,000	998	(2)	0.73%	0.21%	0.03%
Total as at June 30, 2017					-	-	-	-	-	-

5.1.5.1 The cost of listed sukuk certificates as at June 30, 2018 is Rs. 1 million (2017: Nil).

5.1.5.2 The terms and conditions of sukuk certificates outstanding as at June 30, 2018 are as follows:

Name of investee company	Rating	Tenure	Profit payments / principal	Secured / unsecured	Issue date	Maturity date	Rate of return
Byco Petroleum Pakistan Limited	AAA	5 years	Quarterly	Secured	January 18, 2017	January 18, 2022	3 month KIBOR + 1.05%

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

- 5.2 These carried mark-up at rates ranging from 6.18% to 6.75% per annum and were due to mature by September 28, 2017.

	2018	2017
	(Rupees in '000)	
5.3 Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net		
Market value as at June 30	136,603	85,609
Less: carrying value as at June 30	<u>(138,999)</u>	<u>(85,670)</u>
	<u><u>(2,396)</u></u>	<u><u>(61)</u></u>

	Note	2018	2017
		(Rupees in '000)	
6 DIVIDEND AND PROFIT RECEIVABLE			
Dividend receivable		-	164
Profit receivable on:			
- term deposit receipts		-	464
- bank balances		1,494	971
- term finance certificates and sukuk		354	-
- margin trading system		-	187
- advance against investment in Sukuk (Pre-IPO)		-	14
		<u>1,848</u>	<u>1,800</u>

7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES

Security deposit with National Clearing Company of Pakistan Limited	2,750	2,750
Security deposit with Central Depository Company of Pakistan Limited	100	100
Advance against investment in Sukuk (Pre-IPO)	-	1,000
Others	1,409	1,392
	<u>4,259</u>	<u>5,242</u>

8 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY

Management remuneration payable	8.1	488	734
Sindh sales tax payable on management remuneration	8.2	63	95
Payable against allocated expenses	8.3	40	75
Payable against selling and marketing expenses	8.4	-	1,046
		<u>591</u>	<u>1,950</u>

- 8.1 The Management Company has charged remuneration at a rate of 15% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 2% of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

- 8.2 During the year, Sindh Sales Tax on management fee has been charged at 13% (2017: 13%).

- 8.3 In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund upto a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.

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

- 8.4 The SECP vide circular 40 of 2016 dated December 30, 2016 (later amended vide circular 05 of 2017 dated February 13, 2017 and circular 5 of 2018 dated June 4, 2018) has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds and money market funds) initially for three years (from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense shall be 0.4% per annum of net assets of the fund or actual expenses whichever is lower. The Management Company as a matter of discretion had decided to charge such expense to the Fund from July 1, 2017 to November 1, 2017 at the rate of 0.4% of net assets of the Fund, that being lower than the actual expenses incurred during the year.

9	PAYABLE TO MCB FINANCIAL SERVICES LIMITED - TRUSTEE	Note	2018 (Rupees in '000)	2017
	Trustee remuneration payable	9.1	48	90
	Sindh Sales Tax payable on trustee remuneration	9.2	6	12
			<u>54</u>	<u>102</u>

- 9.1 Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year.

Net Assets Value (NAV)	Tariff per annum
Up to Rs 1,000 million	Rs 0.5 million or 0.12% per annum of Net Assets, whichever is higher
On an amount exceeding Rs 1,000 million upto Rs 5,000 million	Rs 1.2 million plus 0.075% per annum of Net Assets exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 4.2 million plus 0.06% per annum of Net Assets exceeding Rs 5,000 million

- 9.2 Sindh Sales Tax at 13% (2017: 13%) is charged on Trustee fee.

10	PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)	Note	2018 (Rupees in '000)	2017
	Annual fee payable to SECP	10.1	<u>631</u>	<u>996</u>

- 10.1 Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay as annual fee to the SECP, an amount equal to 0.095 percent of the average annual net assets of the Fund.

11	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2018 (Rupees in '000)	2017
	Federal excise duty and other related taxes payable on management remuneration	11.1	841	841
	Federal excise duty and other related taxes payable on sales load		3,625	3,625
	Provision against Sindh Workers' Welfare Fund	11.2	2,097	1,515
	Brokerage payable		102	944
	Auditors' remuneration payable		448	458
	Sindh sales tax payable on allocated expenses		270	184
	Sales load payable		-	153
	Others		284	219
			<u>7,667</u>	<u>7,939</u>

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

- 11.1** 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 representative Collective Investment Schemes through their trustees, challenging the levy of FED.

During the year ended June 30, 2017, the SHC passed an order whereby all notices, proceedings taken or pending, orders made, duty recovered or actions taken under the Federal Excise Act, 2005 in respect of the rendering or providing of services (to the extent as challenged in any relevant petition) were set aside. In response to this, the Deputy Commissioner Inland Revenue has filed a Civil Petition for leave to appeal in the Supreme Court of Pakistan which is pending adjudication.

With effect from July 1, 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 0.841 million (2017: Rs 0.841 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2018 would have been higher by Re 0.1750 per unit (2017: Re 0.0948 per unit).

- 11.2** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) 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 0.50 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 and their CISs 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. However, as a matter of abundant caution provision in respect of SWWF is being made on a prudent basis with effect from the date of enactment of the Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.4365 per unit (2017: Re 0.1708 per unit).

12 CONTINGENCIES AND COMMITMENTS

There were no contingencies and / or commitments as at June 30, 2018 and June 30, 2017, except as disclosed as follows:

	2018	2017
	(Rupees in '000)	
12.1 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at year end	-	2,648
13 AUDITORS' REMUNERATION		
Annual audit fee	340	300
Half yearly review fee	170	150
Other certifications	108	105
Out of pocket expenses	48	115
	<u>666</u>	<u>670</u>

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

14 TOTAL EXPENSE RATIO (TER)

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2018 is 2.21% (2017: 2.26%) which includes 0.34% (2017: 0.41%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Asset allocation scheme.

15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, MCB Financial Services Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund, and directors, key management personnel and officers of the Management Company.

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

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

The details of transactions carried out by the Fund with related parties / connected persons and balances with them at the year end are as follows:

16.1 Details of transactions with related parties / connected persons during the year

	Note	2018 (Rupees in '000)	2017
MCB-Arif Habib Savings and Investments Limited - Management Company			
Remuneration of the Management Company (including indirect taxes)		7,559	12,397
Allocated expenses and related taxes		750	1,187
Selling and marketing expenses		1,053	1,046
MCB Financial Services Limited - Trustee			
Remuneration of the Trustee (including indirect taxes)		901	1,382
Arif Habib Capital Limited			
Brokerage expense	16.3	33	240
Next Capital Limited			
Brokerage expense	16.3	22	182

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

	Note	2018 (Rupees in '000)	2017
MCB Bank Limited - Parent company of Management Company			
Bank charges		3	9
Profit on bank balances		93	266
Dividend income		160	-
Purchase of 40,000 (2017: 140,000) shares		8,600	30,928
Sale of 40,000 (2017: 140,000) shares		8,105	31,132
Sale of investments having face value of Rs 300 million (2017: 200 million)		299,057	199,904
Silk Bank Limited			
Bank charges		15	-
Profit on bank balances		3,785	-
Dolmen City Reit			
Dividend income		556	-
Purchase of Nil (2017: 820,000) shares		-	9,591
Sale of 549,000 (2017: Nil) shares		6,528	-
D. G. Khan Cement Company Limited			
Dividend income		1,185	-
Purchase of 251,500 (2017: 291,000) shares		34,749	62,876
Sale of 251,500 (2017: 249,000) shares		33,812	63,412
Mughal Iron and Steel Industries Limited			
Purchase of 50,000 (2017: 83,000) shares		3,849	4,468
Sale of 50,000 (2017: 83,000) shares		3,928	4,651
Nishat (Chunian) Limited			
Dividend income		67	-
Purchase of 44,000 (2017: 455,500) shares		2,151	20,088
Sale of 44,000 (2017: 455,500) shares		2,096	20,210
Nishat Mills Limited			
Purchase of 12,000 (2017: 328,500) shares		1,881	45,279
Sale of 12,000 (2017: 328,500) shares		1,898	46,148
Arif Habib Limited			
Purchase of 75,000 (2017: Nil) shares		4,175	-
Sale of 29,500 (2017: Nil) shares		1,456	-

16.2 Details of balances with related parties / connected persons as at year end

MCB-Arif Habib Savings and Investments Limited - Management Company			
Management remuneration payable		488	734
Sindh sales tax payable on management remuneration		63	95
Payable against allocated expenses		40	75
Payable against selling and marketing expenses		-	1,046

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

	Note	2018	2017
		----- (Rupees in '000) -----	
MCB Financial Services Limited - Trustee			
Trustee remuneration payable		48	90
Sindh Sales Tax payable on trustee remuneration		6	12
MCB Bank Limited - Parent of the Management Company			
Bank balances		1,487	3,330
Profit receivable on bank balances		6	13
Sales load payable		-	120
Silk Bank Limited			
Balance with bank		847	-
Profit receivable on bank balances		902	-
Arif Habib Limited			
45,500 (2017: Nil) shares held		2,776	-
Dolmen City Reit			
271,000 (2017: 820,000) shares held		3,496	9,708
Next Capital Limited			
Brokerage payable	16.3	9	119
Arif Habib Limited			
Brokerage payable	16.3	-	40
Unitholders holding 10% or more			
Outstanding 546,720 units		55,357	-

16.3 The amount disclosed represents the amount of brokerage expense incurred / payable to related parties / connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not related parties / connected persons.

16.4 The Fund's investment in related parties are disclosed in note 5.

17 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 at fair value through profit or loss. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

Particulars	June 30, 2018			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
----- (Rupees in '000) -----				
Financial assets				
Bank balances	348,931	-	-	348,931
Investments	-	136,603	-	136,603
Dividend and profit receivable	1,848	-	-	1,848
Advances, deposits and other receivables	2,850	-	-	2,850
Receivable against sale of investments	37,388	-	-	37,388
Receivable from National Clearing Company of Pakistan Limited	2,285	-	-	2,285
	<u>393,302</u>	<u>136,603</u>	<u>-</u>	<u>529,905</u>

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

Particulars	June 30, 2018		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

(Rupees in '000)

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	528	528
Payable to MCB Financial Services Limited - Trustee	-	48	48
Payable against purchase of investments	-	36,167	36,167
Accrued expenses and other liabilities	-	833	833
	-	37,576	37,576

Particulars	June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total

(Rupees in '000)

Financial assets

Bank balances	541,451	-	-	541,451
Investments	205,000	85,609	-	290,609
Dividend and profit receivable	1,800	-	-	1,800
Advances, deposits and other receivables	3,850	-	-	3,850
Receivable against margin trading system	16,065	-	-	16,065
Receivable against sale of investments	38,360	-	-	38,360
Receivable from National Clearing Company of Pakistan Limited	20,286	-	-	20,286
	826,812	85,609	-	912,421

Particulars	June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total

(Rupees in '000)

Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	1,950	1,950
Payable to MCB Financial Services Limited - Trustee	-	102	102
Accrued expenses and other liabilities	-	1,774	1,774
Dividend payable	-	3,725	3,725
	-	7,551	7,551

18 FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

18.1 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of the 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 Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

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

18.1.1 Currency risk

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

18.1.2 Yield / Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks, investments in term finance certificates and sukuk certificates and investments in government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

The interest rate risk profile of the Fund, as a result of investment in financial instruments is as follows:

	2018	2017
	-----Rupees-----	
Variable rate instrument (financial asset)		
Bank balance	348,931	541,451
Term Finance Certificates - Unlisted	63,743	-
Sukuk certificates - Unlisted	35,023	-
Sukuk certificates - Listed	998	-
	<u>448,695</u>	<u>541,451</u>
Fixed rate instruments (financial assets)		
Government securities - Market Treasury Bills	19,782	74,768
Term Deposit Receipt	-	205,000
	<u>19,782</u>	<u>279,768</u>

a) Sensitivity analysis for variable rate instruments

Presently, the Fund holds KIBOR based term finance and sukuks certificates and balances with banks which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs. 4.49 million (2017: Rs. 5.41 million).

b) Fair value sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds market treasury bills which are classified as financial assets at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Markets Association of Pakistan for market treasury bills and with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been lower / higher by Rs. 0.2 million (2017: Rs. 2.8 million). In case of 100 basis points decrease in those rates, the net income / loss for the year and net assets of the Fund would have been higher / lower by Rs. 0.2 million (2017: Rs. 2.8 million).

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

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

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2018 can be determined as follows:

Particulars	As at June 30, 2018					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	----- (Rupees in '000) -----				
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75% to 8.10%	348,931	-	-	-	348,931
Investments	6.74% to 8.02%	55,803	63,743	-	17,057	136,603
Dividend and profit receivable		-	-	-	1,848	1,848
Advances, deposits and other receivables		-	-	-	2,850	2,850
Receivable against sale of investments		-	-	-	37,388	37,388
Receivable from National Clearing Company of Pakistan Limited		-	-	-	2,285	2,285
Sub total		404,734	63,743	-	61,428	529,905
Financial liabilities						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	591	591
Payable to MCB Financial Services Limited - Trustee		-	-	-	54	54
Payable against purchase of investments		-	-	-	36,167	36,167
Accrued expenses and other liabilities		-	-	-	833	833
Sub total		-	-	-	37,645	37,645
On-balance sheet gap		404,734	63,743	-	23,783	492,260
Total interest rate sensitivity gap		404,734	63,743	-	23,783	492,260
Cumulative interest rate sensitivity gap		404,734	468,477	468,477		

Particulars	As at June 30, 2017					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
	%	(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75% to 6.35%	541,451	-	-	-	541,451
Investments	6.03% to 6.75%	279,768	-	-	10,841	290,609
Dividend and profit receivable		-	-	-	1,800	1,800
Advances, deposits and other receivables		-	-	-	3,850	3,850
Receivable against margin trading system		-	-	-	16,065	16,065
Receivable against sale of investments		-	-	-	38,360	38,360
Receivable from National Clearing Company of Pakistan Limited		-	-	-	20,286	20,286
Sub total		821,219	-	-	91,202	912,421

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

Particulars	As at June 30, 2017					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and upto one year	More than one year		
	%	(Rupees in '000)				
Financial liabilities						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	1,950	1,950
Payable to MCB Financial Services Limited - Trustee		-	-	-	102	102
Accrued expenses and other liabilities		-	-	-	1,774	1,774
Dividend Payable		-	-	-	3,725	3,725
Sub Total		-	-	-	7,551	7,551
On-balance sheet gap		821,219	-	-	83,651	904,870
Total interest rate sensitivity gap		821,219	-	-	83,651	904,870
Cumulative interest rate sensitivity gap		821,219	821,219	821,219		

18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate 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.

A reasonably possible change of 5% increase or decrease in fair values at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 0.843 million (2017: Rs 0.542 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.

18.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments, profit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

18.2.1 Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 was as follows:

	2018		2017	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	348,931	348,931	541,451	541,451
Investments	136,603	98,766	290,609	205,000
Dividend and profit receivable	1,848	1,831	1,800	1,800
Advances, deposits and other receivables	2,850	2,850	3,850	3,850

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

	2018		2017	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Receivable against margin trading system	-	-	16,065	16,065
Receivable against sale of investments	37,388	37,388	38,360	38,360
Receivable from National Clearing Company of Pakistan Limited	2,285	2,285	20,286	20,286
	<u>529,905</u>	<u>492,051</u>	<u>912,421</u>	<u>826,812</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in listed equity securities, government securities and investment in TFCs with 100% guarantee of Rs. 37.837 million (2017: Rs. 85.609 million) including profit receivable on such securities of 17 million (2017: Nil) is not exposed to credit risk.

18.2.2 Bank balances

The Fund held bank balances at June 30, 2018 with banks having following credit ratings:

Rating	2018		2017	
	Rupees in '000	%	Rupees in '000	%
AAA	1,515	0.43%	3,383	0.62%
AA+	74,797	21.44%	536,476	99.10%
AA-	221,421	63.46%	1,543	0.28%
A+	50,314	14.42%	9	0.00%
A	37	0.01%	25	0.00%
A-	847	0.24%	15	0.00%
	<u>348,931</u>	<u>100.00%</u>	<u>541,451</u>	<u>100.00%</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2018.

18.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
Commercial banks (including profit receivable)	414,296	84.20%	747,886	90.46%
Dividend receivable	-	0.00%	164	0.02%
Fertilizer (Sukuk issued by Dawood Hercules Corporation Limited (including profit receivable))	35,232	7.16%	-	0.00%
Oil & gas (Advance against investment in Sukuk (Pre-IPO) (including profit receivable))	-	0.00%	1,014	0.12%
National Clearing Company of Pakistan Limited (deposits)	42,423	8.62%	77,648	9.39%
Central Depository Company of Pakistan Limited (security deposit)	100	0.02%	100	0.01%
	<u>492,051</u>	<u>100.00%</u>	<u>826,812</u>	<u>100.00%</u>

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

18.3 Liquidity risk

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

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current 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 Fund did not withhold any redemptions during the year.

The table below summarizes the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

2018	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
	----- Rupees in '000 -----				
Financial assets					
Bank balances	348,931	-	-	-	348,931
Investments	17,057	19,782	-	99,764	136,603
Dividend and profit receivable	1,848	-	-	-	1,848
Advances, deposits and other receivables	2,850	-	-	-	2,850
Receivable against sale of investments	37,388	-	-	-	37,388
Receivable from National Clearing Company of Pakistan Limited	2,285	-	-	-	2,285
	410,359	19,782	-	99,764	529,905
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	591	-	-	-	591
Payable to MCB Financial Services Limited - Trustee	54	-	-	-	54
Payable against purchase of investments	36,167	-	-	-	36,167
Accrued expenses and other liabilities	833	-	-	-	833
Dividend Payable	-	-	-	-	-
	37,645	-	-	-	37,645
Net assets	372,714	19,782	-	99,764	372,714

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

2017	Within 1 month	1 to 3 months months	3 to 12	1 to 5 years	Total
	Rupees in '000				
Financial assets					
Bank balances	541,451	-	-	-	541,451
Investments	85,609	205,000	-	-	290,609
Dividend and profit receivable	1,800	-	-	-	1,800
Advances, deposits and other receivables	3,850	-	-	-	3,850
Receivable against margin trading system	16,065	-	-	-	16,065
Receivable against sale of investments	38,360	-	-	-	38,360
Receivable from National Clearing Company of Pakistan Limited	20,286	-	-	-	20,286
	707,421	205,000	-	-	912,421
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	1,950	-	-	-	1,950
Payable to MCB Financial Services Limited - Trustee	102	-	-	-	102
Accrued expenses and other liabilities	1,774	-	-	-	1,774
Dividend Payable	3,725	-	-	-	3,725
	7,551	-	-	-	7,551
Net assets	699,870	205,000	-	-	904,870

18.4 Fair value measurement

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

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

Fair value of investments is determined as per the policy disclosed in note 3.2.5 to these financial statements.

Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2018 and June 30, 2017, the Fund held the following assets measured at fair values:

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

----- As at June 30, 2018 -----				
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
At fair value through profit or loss - held for trading				
- Listed equity securities	17,057	-	-	17,057
- Government securities - Market Treasury Bills	-	19,782	-	19,782
- Term Finance Certificates - Unlisted	-	63,743	-	63,743
- Sukuk certificates - Unlisted	-	35,023	-	35,023
- Sukuk certificates - Listed	-	998	-	998

----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- Rupees in '000 -----				
At fair value through profit or loss - held for trading				
- Listed equity securities	10,841	-	-	10,841
- Government securities - Market Treasury Bills	-	74,768	-	74,768

18.5 Unit Holders' Fund risk management

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders, to maintain a strong base of assets to meet unexpected losses or opportunities and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

The Fund has no restrictions on the subscription and redemption of units. As required under the NBFC Regulations, every open end scheme shall maintain fund size (i.e. net assets of the Fund) of Rs.100 million at all times during the life of the scheme. The Fund has maintained and complied with the requirement of minimum fund size during the current year.

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

19 DISTRIBUTIONS MADE DURING THE YEAR

	Rate per unit	Declaration date	Bonus Distribution Units	Cash Distribution Amount	
--- (Rupees in '000) ---					
For the month ended July 2017	Re. 0.4310	July 31, 2017	-	-	3,496
For the month ended August 2017	Re. 0.4305	August 31, 2017	-	-	3,318
For the month ended September 2017	Re. 0.4150	September 30, 2017	-	-	3,053
For the month ended October 2017	Re. 0.4290	October 31, 2017	-	-	3,010
For the month ended November 2017	Re. 0.4140	November 30, 2017	-	-	2,884
For the month ended December 2017	Re. 0.4138	January 1, 2018	-	-	2,785
For the month ended January 2018	Re. 0.4135	January 31, 2018	-	-	2,754
For the month ended February 2018	Re. 0.3865	February 28, 2018	-	-	2,451
For the month ended March 2018	Re. 0.4280	March 31, 2018	-	-	2,639
For the month ended April 2018	Re. 0.4140	April 30, 2018	-	-	2,276
For the month ended May 2018	Re. 0.4280	May 31, 2018	-	-	2,073
			-	-	30,739

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

20 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

S. No.	Name	Designation	Experience in	Qualification
1	Muhammad Saqib Saleem	Chief Executive Officer	21	FCA & FCCA
2	Muhammad Asim	Chief Investment Officer	15	MBA & CFA
3	Awais Abdul Sattar	Head of Research	7	MBA & CFA
4	Saad Ahmed	Head of Fixed Income	13	MBA
5	Mohammad Aitazaz Farooqui	Senior Analyst	5	BBA & CFA
6	Syed Abid Ali	Head of Equity	10	MBA

20.1 Awais Abdul Sattar is the Manager of the Fund. He is also managing Alhamra Islamic Asset Allocation Fund, Alhamra Islamic Stock Fund and Alhamra Islamic Pension Fund.

21 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2018.

S. No.	Particulars	Percentage
1	Adam Securities (Private) Ltd	14.49%
2	AKD Securities Ltd	9.16%
3	DJM Securities (Private) Limited	8.17%
4	BMA Capital Management Ltd	6.85%
5	Al Falah Securities (Private) Ltd	6.85%
6	Mutline Securities (Private) Ltd	6.07%
7	First Capital Securities Ltd	5.98%
8	Taurus Securities Limited	4.97%
9	Shajar Capital Pakistan (Private) Ltd	4.75%
10	BIPL Securities Limited	4.70%

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017.

S. No.	Particulars	Percentage
1	Adam Securities (Private) Limited	8.37%
2	JS Global Capital Limited	7.29%
3	Arif Habib Limited	6.53%
4	Topline Securities (Private) Limited	6.45%
5	Insight Securities (Private) Limited	5.67%
6	Intermarket Securities Limited	5.31%
7	EFG Hermes Pakistan Limited	4.97%
8	Next Capital Limited	4.79%
9	Elixir Securities Pakistan (Private) Limited	4.71%
10	DJM Securities (Private) Limited	4.53%

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

22 PATTERN OF UNIT HOLDING

Category	As at June 30, 2018			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	167	4,620,901	467,967	96.18%
Retirement fund	1	4,926	499	0.10%
Other	1	178,578	18,085	3.72%
	169	4,804,405	486,551	100.00%

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	256	8,662,275	878,573	97.66%
Retirement fund	1	4,926	500	0.06%
Other	1	202,351	20,523	2.28%
	258	8,869,552	899,596	100.00%

23 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

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

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
Directors					
1	Mian Muhammad Mansha	9	4	5	134th, 135th, 136th, 138th and 142nd
2	Nasim Beg	9	9	-	
3	Ahmed Jahangir	9	9	-	
4	Mirza Qamar Beg	9	7	2	138th and 142nd
5	Syed Salman Shah	9	7	2	134th and 138th
6	Haroun Rashid	9	6	3	135th, 136th and 142nd
7	Samad A Habib	9	5	4	134th, 136th, 138th and 139th
8	Muhammad Saqib Saleem	9	9	-	

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

24 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements other than those resulting from changes as disclosed in note 3.9.

25 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Board of Directors in its meeting held on July 04, 2018 approved a cash dividend of Re. 0.428 per unit for the month ended June 30, 2018. This is in addition to cash dividend of Rs. 4.6033 already paid during the year.

26 GENERAL

Figures have been rounded off to the nearest thousand rupees.

27 DATE OF AUTHORISATION FOR ISSUE

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

No. of Unit Holders	Unit Holdings	Total Units Held
80	0-10000	320,089
85	10001 - 100000	3,436,453
4	100001 - 1000000	1,047,863
<u>169</u>		<u>4,804,405</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016
Total Net Assets Value – Rs. in million	487	900	796.202
Net Assets value per unit – Rupees	101.2718	101.4252	100.2203
Closing Offer Price	104.7079	104.8635	104.3605
Closing Repurchase Price	101.2718	101.4252	100.2203
Highest offer price per unit	105.0132	105.6672	104.7581
Lowest offer price per unit	104.1055	103.3996	100.0000
Highest Redemption price per unit	101.5700	102.0851	100.6021
Lowest Redemption price per unit	100.692	99.8944	100.0000
Distribution per unit – Rs. *	4.6033	4.2491	3.2695
Average Annual Return - %			
One year (inception date Nov 16, 2015)	4.50	5.54	3.54
Two year	5.02	4.54	N/a
Three year	4.53	N/a	N/a
Net Income / (loss) for the period – Rs. in million	28.5312	53.4030	21.2600
Distribution made during the year – Rs. in million	30.7397	43.6470	18.2300
Accumulated Capital Growth – Rs. in million	(2.2085)	9.756	3.0300

*** Date of Distribution**

2018	
Date	Rate
July 31, 2017	0.4310
August 31, 2017	0.4305
September 30, 2017	0.4150
October 31, 2017	0.4290
November 30, 2017	0.4140
January 1, 2018	0.4138
January 31, 2018	0.4135
February 28, 2018	0.3865
March 31, 2018	0.4280
April 30, 2018	0.4140
May 31, 2018	0.4280

2017	
Date	Rate
August 01, 2016	0.5096
August 31, 2016	0.5096
September 30, 2016	0.4935
November 30, 2016	0.4119
January 02, 2017	0.5130
January 31, 2017	0.5160
April 30, 2017	0.4165
May 31, 2017	0.4590
June 30, 2017	0.4200

2016	
Date	Rate
November 30, 2015	0.2568
December 31, 2015	0.4760
January 31, 2016	0.4806
February 29, 2016	0.3199
March 31, 2016	0.2312
April 30, 2016	0.4932
May 31, 2016	0.5118
June 27, 2016	0.5000

Disclaimer

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

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

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund participated in all shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Abstain Reason for Abstaining
Number	6	6	0	0	-
(%ages)	100	100	0	0	-

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

MCB-Arif Habib Savings and Investments Limited

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