



MCB-ARIF HABIB  
Savings and Investments Limited

AM2  
BY AKORA

# ANNUAL REPORT 2018

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

# **Pakistan Income Fund**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Company Secretary</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Chief Financial Officer</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United United Bank Limited Allied Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank U Micro Finance Bank Khushali Micro Finance Bank Limited Tameer Micro Finance Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited First Micro Finance Bank Limited National Bank of Pakistan Silk Bank Limited	
<b>Auditors</b>	<b>A.F Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C, I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centerpoint, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	<b>AM2++</b> Asset Manager Rating assigned by PACRA	

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

**Dear Investor,**

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

## ECONOMY AND MONEY MARKET OVERVIEW

FY18 has been a rollercoaster ride of contradicting economic indicators with benign inflation and healthy LSM growth positively contributed to the economy, while mounting fiscal pressure, falling FX reserves, and political turmoil created a negative impact on the economy. Upward trending global commodity prices, especially rising crude oil prices, further added to the woes of the local economy.

GDP growth is expected to set at a record 10 years high of ~5.7% supported by a robust industrial and services sector growth. The marked end of power crises along with easing monetary cycle has led to an expansion in LSM growth which is expected to post a growth of ~7% for FY18. Inflation as measured by CPI has averaged ~4.0% owing to adequate supply of commodities and a stable currency during the most part of the year. However, for FY19, we expect CPI to jack up to average of ~7.5% owing to rising commodity prices along with weakness in currency. Furthermore, the weaker currency is also expected to shoot up the core inflation above 8.0%.

External sector has been the Achilles heel as a record high current account deficit along with financial flows by both bilateral and multilateral institutions have caused a scarcity of dollars. Current account deficit soared to USD 18 billion, nearly 5.8% of the GDP raising alarm bells for the economy. As a result of which, foreign exchange reserves of SBP have depleted by USD 6.5 bn during FY18 to USD 9.7 bn, providing a mere import coverage of ~2.0x. By large, Pakistan could be heading towards another IMF program during the second quarter of next fiscal year unless significant flows are generated via the amnesty scheme.

During FY18 State Bank of Pakistan increased Policy Rate by a cumulative 75bps mainly due to ballooning twin deficits, declining real interest rates and rapid increase in imports. In anticipation of an interest rate hike, bond yield curve showed an upward trajectory particularly during the second half of FY18. Pace of widening trade deficit remained alarmingly high which kept on diluting Forex reserves, keeping investors away from longer tenor securities. To extend maturity profile SBP introduced Floater rate 10 year bond with a base rate of 6-month MTB weighted average yield. Healthy participation of PKR 174 billion was witnessed in the very first auction of 10 year Floater bond out of which a total of PKR 20 billion was accepted at a rate of benchmark + 50 bps. Liquidity remained comfortable throughout FY18 owing to regular OMOs conducted by SBP. Scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara SUKUK despite ample liquidity in the market.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.77% as against its benchmark return of 5.90%.

At period end, the fund was 39.3% in TFCs, 0.5% in PIBs, 40.1% in Cash and 2.3% in T-Bills. Weighted average maturity of the fund stood at 2.2 years.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 1,519 million as compared to Rs. 1,722 million as at June 30, 2017 registering a decrease of 11.79%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 56.3297 as compared to opening NAV of Rs. 53.7626 per unit as at June 30, 2017 registering an increase of Rs. 2.5671 per unit.

## FUTURE OUTLOOK

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

Fiscal side is also expected to weaken as reckless spending by the government will cause fiscal deficit to cross above 6.0% of GDP. Given pressures on the external front along with rising inflation, State Bank is expected to further tighten

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

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the monetary policy, with 100 bps already increased, which shall result in higher debt servicing cost for the government during the next fiscal year. Along with entry to the IMF program, which will aim to curtail the fiscal deficit, developmental expenditures will be sharply cut during the next year.

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

### Corporate Governance

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

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund 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:

## 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. Mr. Haroun Rashid	9	9	6	3
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	7	2
4. Mr. Mirza Qamar Beg	9	9	7	2

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

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

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

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

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

### EXTERNAL AUDITORS

The fund's external auditors, 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

## 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 ٹرسٹیز کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء



## 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 رمیونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیونریشن 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)

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

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

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 بکس آف اکاؤنٹس تیار کی گئی ہیں۔

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، نان بینکنگ

فنانس کمپنیز (اسٹابلیشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انسٹیٹیوٹس ریگولیشنز، 2008ء،

متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

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

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

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

i. پراویڈنٹ / گریجویٹ فنڈ اور پنشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے،

چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

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

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

l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے

والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

کے ابتدائی منصوبوں کی روشنی میں بہتر پالیسی اقدامات کی توقع کی جاسکتی ہے، لیکن خطرناک معاشی حالات کے پیش نظر ہم سمجھتے ہیں کہ فوری میعاد والے اقدامات بے حد ضروری ہیں تاکہ جڑواں خساروں پر توجہ دی جاسکے۔

مالیاتی جہت میں بھی ضعف متوقع ہے کیونکہ حکومت کے بے دریغ خرچ کے باعث مالیاتی خسارہ مجموعی ملکی پیداوار (GDP) کے 6.0% سے تجاوز کر جائے گا۔ خارجی رُخ پر متعدد دباؤ کے ساتھ ساتھ افراط زر میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔

ایکوٹی کی جہت پر انتخابات کے بعد ہم ماحول کی باریک بینی سے نگرانی کریں گے تاکہ پالیسی کے حوالے سے نئی راہنمائی کے دستیاب ہوتے ہی اس پر عملدرآمد کر سکیں۔ وسیع تر تناظر میں ہم سمجھتے ہیں کہ مارکیٹ کی گزشتہ دو برسوں کی کارکردگی (اوپر ترین سطح سے تقریباً 20% کم) سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوئی ہے، اور دورانی اسٹاکس کی کارکردگی کی بھی عکاسی ہوئی ہے جہاں اسٹاکس کی قیمتوں میں تصحیح مزید تیز ہے۔ ہم اپنے موقف پر قائم ہیں کہ موجودہ سطحوں پر کمی کی محدود استعداد ہے جس کی بدولت طویل المیعاد سرمایہ کاروں کو خاطر خواہ سہولت فراہم ہوتی ہے۔ ہم سمجھتے ہیں کہ اسٹاکس میں ترقی بتدریج ظاہر ہوگی جب اعتماد بحال ہوگا اور معاشی پالیسیاں حالات کو توقعات کے مطابق ڈھالیں گی۔ چنانچہ آگے بڑھتے ہوئے اسٹاکس طویل المیعاد سرمایہ کاری کا موقع فراہم کرتے ہیں جس میں صبر کے ساتھ چلنے والے سرمایہ کاروں کے لیے منافع ہوگا۔ ہم بدستور ملک کی معاشی علامات کے رجحانات پر نظر رکھ کر ان کے مطابق اپنے دائرہ کار میں تبدیلیاں لا رہے ہیں۔ ہمارا Top-Down تجزیہ روپے کی قدر میں کمی اور انٹریسٹ کی بلند شرحوں سے مستفید ہونے والے شعبوں کی حمایت کرتا ہے؛ تاہم، ہم کمپنی کے انفرادی عناصر اور ان کی قیمتوں کو نظر انداز نہیں کر سکتے جن سے سیکورٹی کے انتخاب میں اہم کردار ادا ہو سکتا ہے۔

## کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار 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 ضابطہ اخلاق کی بہترین طریقوں سے متعلق شقوں کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی

تجارتی خسارے میں اضافے کی رفتار خوفناک حد تک تیز رہی جس کے باعث غیر ملکی زرمبادلہ کے ذخائر متاثر ہوئے اور سرمایہ کاروں نے طویل المیعاد سیکیورٹیز میں دلچسپی کا اظہار نہیں کیا۔ میچورٹی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹر ریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹر بانڈ کی سب سے پہلی نیلامی میں 174 بلین روپے کی بھرپور شرکت دیکھی گئی جس میں سے 20 بلین روپے بیچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی۔ زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سکلگ کا اجراء نہیں کیا گیا۔

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.77% تھا جبکہ مقررہ معیار 5.90% تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری 39.3% ٹرم فائنانس سٹریٹجی (TFCs) میں، 0.5% پاکستان انویسٹمنٹ بانڈز (PIBs) میں، 40.1% نقد میں اور 2.3% ٹی بلز میں تھی۔ فنڈ کی weighted اوسط میچورٹی 2.2 سال کی سطح پر تھی۔ 30 جون 2018ء کو فنڈ کے net اثاثہ جات 1,519 ملین روپے تھے، جو 30 جون 2017ء کو 1,722 ملین روپے کے مقابلے میں 11.79% کمی ہے۔ 30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 56.3279 روپے تھی، جو 30 جون 2017ء کو 53.7626 روپے ابتدائی NAV کے مقابلے میں 2.5671 روپے فی یونٹ کمی ہے۔

## مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کھپت کے رجحان پر کمزور روپیہ اور تنگ مالیاتی پالیسی کا راج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکوز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد ناپسندیدہ اقدامات سے پُر ہو سکتا ہے۔ پاکستان تحریک انصاف (حکمران جماعت)

عزیز سرمایہ کار

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

### معیشت اور بازار زر کا جائزہ

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

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

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

مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں مجموعی طور پر 75 bps اضافہ کیا جس کی بنیادی وجہ بڑھتے ہوئے جڑواں خسارے، ریئل انٹریسٹ کی گھٹتی ہوئی شرحیں، اور تیزی سے بڑھتی ہوئی درآمدات ہیں۔ انٹریسٹ کی شرحوں میں تیز رفتار اضافے کے امکانات کے باعث بانڈ کی آمدنی کا خم اوپر کی طرف گیا، خصوصاً مالی سال 2018ء کی دوسری سہ ماہی کے دوران۔

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

### Fund Type and Category

Pakistan Income Fund- (PIF) is an open end mutual fund and comes under income scheme. The fund primarily invests in money market and other short term instruments which includes short term corporate debt and government securities. The fund may also invest in medium term assets in order to provide higher returns to unit holders.

### Fund Benchmark

The benchmark for the fund is Six(6) months KIBOR rates.

### Investment Objective

The objective of the Fund is to deliver returns primarily from debt and fixed income investments without taking excessive risk.

### Manager's Review

During the period under review, the fund generated an annualized return of 4.77% as against its benchmark return of 5.90% underperforming the benchmark by 1.13%. At period-end, the fund was invested 40.1% in Cash and 39.3% in TFCs.

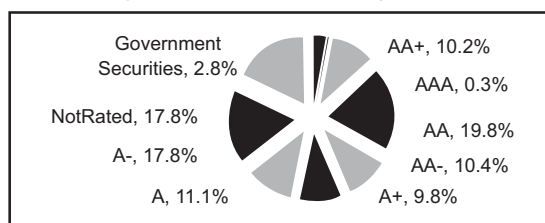
The Net Assets of the Fund as at June 30, 2018 stood at Rs. 1519 million as compared to Rs 1722 million as at June 30, 2017 registering a decrease of 11.79%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 56.3297 as compared to opening NAV of Rs. 53.7626 per unit as at June 30, 2017.

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

Particulars	June18
Cash	40.1%
TFCs	39.3%
Spread Transactions	0.0%
T-Bills	2.3%
Term Deposits with Banks	0.0%
PIBS	0.5%
Others including receivables	2.1%
Margin Trading	15.7%

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



Mr. Saad Ahmed  
Fund Manager

Karachi: September 14, 2018

## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

CDC House, 99-B, Block 'B',  
S.M.C.H.S., Main Shakra-e-Faisal,  
Karachi - 74400, Pakistan.  
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Fax: (92-21) 34326020 - 23  
URL: [www.cdcpak.com](http://www.cdcpak.com)  
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## TRUSTEE REPORT TO THE UNIT HOLDERS

### PAKISTAN INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2018 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018





# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Pakistan Income Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Pakistan Income 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	<b>Amendments to NBFC Regulations, 2008</b>  (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	<b>Net Asset Value</b>	
	<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 580.656 million and bank balances aggregated to Rs 616.193 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"> <li>Tested the design and operating effectiveness of the key controls for valuation of investments;</li> <li>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;</li> <li>Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies;</li> <li>Obtained approval of Board of Directors of the management company in relation to opening of bank accounts; and</li> </ul>

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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
		<ul style="list-style-type: none"><li>Obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul>

## 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**.



Chartered Accountants

Karachi

Date: September 24, 2018

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

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Bank balances	4	616,193	1,194,719
Investments	5	580,656	488,911
Receivable against margin trading system		242,107	17,519
Profit receivable	6	17,401	12,268
Advances, deposits, prepayments and other receivables	7	80,725	28,007
<b>Total Assets</b>		<b>1,537,082</b>	<b>1,741,424</b>
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	1,413	2,471
Payable to Central Depository Company of Pakistan Limited - Trustee	9	198	209
Payable to the Securities and Exchange Commission of Pakistan	10	1,124	919
Payable against redemption of units		47	313
Accrued expenses and other liabilities	11	15,422	15,551
<b>Total liabilities</b>		<b>18,204</b>	<b>19,463</b>
<b>NET ASSETS</b>		<b>1,518,878</b>	<b>1,721,961</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>1,518,878</b>	<b>1,721,961</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	12		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>26,964,052</b>	<b>32,028,956</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>		<b>56.3297</b>	<b>53.7626</b>
<b>FACE VALUE PER UNIT</b>		<b>50.0000</b>	<b>50.0000</b>

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 (Rupees in '000)
<b>INCOME</b>			
Gain on sale of investments - net		1,666	(13,848)
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net	5.3	(2,213)	1,658
Profit / mark-up on:			
- Government securities		4,120	14,541
- term finance certificates		29,371	22,210
- term deposit receipts		9,126	7,507
- bank balances		49,076	32,225
Income on spread transactions and margin trading system		9,087	16,536
Dividend Income		2,164	7,566
Reversal of provision against Workers' Welfare Fund	11.1	-	24,327
Other income		1,789	2,031
<b>Total income</b>		<u>104,186</u>	<u>114,753</u>
<b>EXPENSES</b>			
Remuneration of the Management Company	8.1	20,722	16,167
Sindh sales tax on remuneration of the Management Company	8.2	2,694	2,102
Remuneration of the Trustee	9.1	2,124	1,891
Sindh sales tax on remuneration of the Trustee	9.2	276	246
Annual fee to Securities and Exchange Commission of Pakistan	10.1	1,124	919
Allocated expenses and related taxes	8.3	1,693	1,384
Brokerage expense		840	1,998
Legal, professional and other charges		142	891
Settlement and bank charges		2,213	1,480
Fees and subscription		490	605
Auditors' remuneration	13	742	545
Provision against Sindh Workers' Welfare Fund	11.1	1,422	2,836
Provision against non-performing investments - net	5.1.2	-	3,398
Printing and related costs		6	213
<b>Total operating expenses</b>		<u>34,488</u>	<u>34,675</u>
<b>Net income from operating activities</b>		<u>69,698</u>	<u>80,078</u>
Element of loss and capital losses included in prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	100
- arising from other income		-	(12,581)
		-	(12,481)
<b>Net income for the year before taxation</b>		<u>69,698</u>	<u>67,597</u>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<u>69,698</u>	<u>67,597</u>
<b>Earnings per unit</b>	3.13		
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		69,698	-
Income already paid on units redeemed		(25,902)	-
		<u>43,796</u>	<u>-</u>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		-	-
- Excluding capital gains		43,796	-
		<u>43,796</u>	<u>-</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 COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	2018 (Rupees in '000)	2017 (Rupees in '000)
<b>Net income for the year after taxation</b>	69,698	67,597
Other comprehensive income for the year		
Items that are or may be reclassified subsequently to the income statement		
Net unrealised appreciation / (diminution) in the value of investments classified as 'available-for-sale'	217	1,422
<b>Total comprehensive income for the year</b>	<u>69,915</u>	<u>69,019</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

	2018			2017
	Rupees in thousands			
	Capital Value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on 'available for sale' investments	Total
Net assets at beginning of the year	1,601,366	120,774	(179)	1,721,961
Issue of 20,715,907 units (2017: 47,382,999 units)				
- Capital value (at net asset value per unit at the beginning of the year)	1,113,741	-	-	1,113,741
- Element of income	36,886	-	-	36,886
Total proceeds on issuance of units	1,150,627	-	-	1,150,627
Redemption of 25,780,811 units (2017: 34,946,893 units)				
- Capital value (at net asset value per unit at the beginning of the year)	1,386,043	-	-	1,386,043
- Element of income	11,680	25,902	-	37,582
Total payments on redemption of units	1,397,723	25,902	-	1,423,625
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net	-	-	-	12,481
Total comprehensive income / (loss) for the year	-	69,698	217	69,915
Distribution during the year	-	-	-	(65,255)
Net income (loss) for the year less distribution	-	69,698	217	3,764
<b>Net assets at end of the year</b>	<b>1,354,270</b>	<b>164,570</b>	<b>38</b>	<b>1,518,878</b>
Undistributed income / (loss) brought forward				
- Realised		116,258		39,886
- Unrealised		4,516		32,449
		120,774		72,335
Accounting income / (loss) available for distribution				
- Relating to capital gains		-		
- Excluding capital gains		43,796		-
		43,796		
Net income / (loss) for the year after taxation		-		113,694
Distribution for the year		-		65,255
Undistributed income / (loss) carried forward		164,570		120,774
Undistributed income / (loss) carried forward				
- Realised income		166,783		116,258
- Unrealised income / (loss)		(2213)		4,516
		164,570		120,774
			(Rupees)	(Rupees)
Net assets value per unit at beginning of the year			53.7626	53.6062
Net assets value per unit at end of the year			56.3297	53.7626

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

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

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

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year after taxation		69,698	67,597
<b>Adjustments for:</b>			
Unrealised appreciation on re-measurement of investments at fair value through profit or loss - net		2,213	(1,658)
Reversal of provision against Workers' Welfare Fund		-	(24,327)
Provision against Sindh Workers' Welfare Fund		1,422	2,836
Provision against non-performing investments - net		-	3,398
Element of loss and capital losses included in prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	(100)
- arising from other income		-	12,581
		73,333	60,327
<b>Decrease / (increase) in assets</b>			
Investments - net		(243,741)	442,712
Profit receivable		(5,133)	5,847
Receivable against margin trading system		(224,588)	(17,519)
Advances, deposits, prepayments and other receivables		(52,718)	(19,634)
		(526,180)	411,406
<b>Increase / (decrease) in liabilities</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		(1,058)	798
Payable to Central Depository Company of Pakistan Limited - Trustee		(11)	40
Payable to the Securities and Exchange Commission of Pakistan		205	10
Accrued expenses and other liabilities		(1,551)	(4,676)
		(2,415)	(3,828)
		(455,262)	467,905
<b>Net cash flows from operating activities</b>			
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received against issuance of units		1,150,627	2,591,105
Amount paid against redemption of units		(1,423,625)	(1,935,687)
Distributions paid during the year		-	(65,255)
<b>Net cash flows from financing activities</b>		(273,264)	590,429
<b>Net increase in cash and cash equivalents during the year</b>		(728,526)	1,058,334
Cash and cash equivalents at the beginning of the year		1,344,719	286,385
<b>Cash and cash equivalents at the end of the year</b>	16	616,193	1,344,719

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

Pakistan Income Fund (the Fund) was established under a Trust Deed executed between MCB - Arif Habib Savings and Investments Limited as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway, Near KPT interchange, Karachi, Pakistan.

The Fund is an open-ended mutual fund and has been categorised as "Income Scheme" by the Board of Directors of the Management Company pursuant to the provisions contained in Circular 7 of 2009. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange.

The Fund primarily invests in money market and other short-term placements/instruments which include short-term corporate debt, government securities, margin trading system transactions and spread transactions. The Fund may also invest a portion of its assets under management in medium term assets in order to provide higher return to the unit holders.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the asset manager a rating of "AM2++" (2017: AM2++) on date December 28, 2017. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

Furthermore, Pakistan Credit Rating Agency Limited (PACRA) has maintained the stability rating of "A+" (f) to the Fund [2017: A+(f)] on June 30, 2018.

The title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

## 2 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 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

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

There are certain amended 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 do not 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

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 periods beginning on or after)
- IFRS-9 Financial Instruments	July 1, 2018
- IFRS-15 Revenue from contracts with customers	July 1, 2018
- IFRS-16 Leases	January 1, 2019

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 3.2.1 and 5.1)
- 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.

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

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### 3.2 Financial assets

#### 3.2.1 Classification

The management determines the appropriate classification of the financial assets of the Fund in accordance with the requirements of International Accounting Standard (IAS) 39: 'Financial Instruments: Recognition and Measurement' at the time of the purchase of the financial assets and re-evaluates this classification on a regular basis. The classification depends on the purpose for which the financial assets are 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

Derivative instruments are initially recognised 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

All regular way 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. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

#### 3.2.4 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These 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 recognised 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.

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

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 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 through the amortisation process or 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 objective evidence that a financial asset or a group of financial assets is 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 such an indication exists, the recoverable amount of such asset is estimated. An impairment loss is recognised whenever the carrying amount of an asset exceeds the 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.

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

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### 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.

### 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 the distributions and appropriations are approved.

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.

Distributions declared including bonus units are recorded in the period in which they are approved. 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.

### 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

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

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

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations 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 lower by Rs 0.682 million net of charge for SWWF provision in respect of element of income and the NAV per unit of the Fund would have increased by Re. 0.0005. 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.
- Interest income on bank balances, term deposits, placements, MTS transactions, debt and government securities and other money market placements is recognised on an accrual basis.
- Dividend income is recognised when the right to receive the dividend is established.
- 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, trustee fee and annual fee of the SECP are recognised in the Income Statement on an accrual basis. Allocated expenses (note 8.3) are recognised at the rate of 0.1% per annum 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.

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

## 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.

	Note	2018	2017
		(Rupees in '000)	
<b>4 BANK BALANCES</b>			
In saving accounts	4.1	616,184	1,166,389
In current accounts	4.2	9	28,330
		<u>616,193</u>	<u>1,194,719</u>

4.1 These carry profit at the rates ranging between 3.75% to 8.10.% (2017: 3.75% to 9.6%) per annum and include Rs 2.876 million (2017: Rs 302 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 274.323 million maintained with Silkbank Limited (a related party) which carries profit at the rate of 7.5% per annum.

4.2 These are maintained with MCB Bank Limited, a connected person / related party.

	Note	2018	2017
		(Rupees in '000)	
<b>5 INVESTMENTS</b>			
<b>Financial assets 'at fair value through profit or loss' - net</b>			
Government securities	5.1.1	34,621	49,617
Term Finance Certificates	5.1.2 & 5.1.3	324,393	273,892
Sukuks Certificates	5.1.4 & 5.1.5	214,180	7,517
		<u>573,194</u>	<u>331,026</u>
<b>Available for sale investments</b>			
Government securities	5.2	7,462	7,885
<b>Loans and receivables</b>			
Term deposit receipts	5.5	-	150,000
		<u>580,656</u>	<u>488,911</u>

## 5.1 Financial assets 'at fair value through profit or loss' - net

### 5.1.1 Government securities - market treasury bills

Tenure	Issue Date	Face Value				As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2017	Purchases during the period	Sales / matured during the period	As At June 30, 2018	Carrying value	Market value	Appreciation		
(Rupees in '000)										
Market Treasury bills - 3 months	July 20, 2017	-	15,000	15,000	-	-	-	-	-	-
	August 03, 2017	-	50,000	50,000	-	-	-	-	-	-
	January 04, 2018	-	300,000	300,000	-	-	-	-	-	-
	December 07, 2017	-	50,000	50,000	-	-	-	-	-	-
	May 25, 2017	50,000	-	50,000	-	-	-	-	-	-
	April 12, 2018	-	35,000	35,000	-	-	-	-	-	-
	January 18, 2018	-	150,000	150,000	-	-	-	-	-	-
	February 01, 2018	-	30,000	30,000	-	-	-	-	-	-
	June 07, 2018	-	35,000	-	35,000	34,617	34,621	4	-	-
	February 15, 2018	-	150,000	150,000	-	-	-	-	-	-

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

34,617	34,621	4
49,619	49,617	(2)



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

5.1.1.1 The cost of investments as at June 30, 2018 amounts to Rs 34.585 million (2017: Rs 49.376 million). These carry profit at the rate of 6.76% (2017: 5.99%) per annum and will mature on August 30, 2018 (2017: August 17, 2017).

	Note	2018	2017
		(Rupees in '000)	
<b>5.1.2 Listed debt securities - term finance certificates</b>			
Market value as at June 30	5.1.2.1	151,864	373,663
Less: Provision as at July 1			
- Pace Pakistan Limited		(49,940)	(46,542)
- Telecard Limited		(31,088)	(31,088)
- Trust Investment Bank Limited		(18,743)	(18,743)
		(99,771)	(96,373)
Less: Provision charged during the year			
- Reversal against carrying value matured		-	6,586
- Charge against face value receivable		-	(9,984)
		-	(3,398)
		<u>52,093</u>	<u>273,892</u>

### 5.1.2.1 Listed debt securities - Term finance certificates

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

Name of investee company	Number of certificates					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 investments**	Investment as a percentage of total issue size
	As at July 1, 2017	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2018						
----- (Rupees in '000) -----											
Commercial Banks									%	%	
Bank Alfalah Limited (20-02-13 issue)	13,381	-	3,000	-	10,381	53,280	52,093	(1,187)	3.43%	8.97%	0.21%
Pace Pakistan Limited (15-02-08 issue)											
- Due but not received	10,000	-	-	-	10,000	-	49,940				
Telecard Limited (27-05-05 issue)											
- Due but not received	19,975	-	-	-	19,975	-	31,088				
Trust Investment Bank Limited (04-07-08 issue)											
- Due but not received	10,000	-	-	-	10,000	-	18,743				
Total as at June 30, 2018	13,381	-	3,000	-	10,381	53,280	151,864	(1,187)	3.43%	8.97%	
Total as at June 30, 2017	13,381	-	-	-	13,381	168,007	168,475	468	9.78%	14.46%	

### 5.1.2.2 Significant terms and conditions of term finance certificates outstanding as at June 30, 2018 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Bank Alfalah Limited	6 months KIBOR + 1.25%	20-Feb-13	20-Feb-21	AA

5.1.2.3 The cost of investments as at June 30, 2018 amounts to Rs 52.714 million (2017: Rs 67.947 million). These carry profit at the rate of 7.68% (2017: 7.39%) per annum and will mature by February 20, 2021 (2017: February 20, 2021).



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

## 5.1.3 Unlisted debt securities - Term finance certificates

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of certificates					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
	As at July 1, 2017	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2018						
----- (Rupees in '000) -----											
Commercial Banks									%	%	
Bank Alfalah Limited - TFC4 (02-12-09) Floating	4,500	-	4,500	-	-	-	-	-	-	-	-
Askari Bank Limited (23-12-11 issue)*	37	-	37	-	-	-	-	-	-	-	-
Askari Bank Limited (30-09-14 issue)	5,000	25,000	11,000	-	19,000	95,057	94,903	(154)	6.25%	16.34%	0.48%
Habib Bank Limited (19-02-16 issue)*	500	-	500	-	-	-	-	-	-	-	-
Bank AL Habib Limited (17-03-16 issue)	9,000	8,000	1,500	-	15,500	78,073	77,325	(748)	5.09%	13.32%	0.39%
Investment Banks / Investment Companies / Securities Companies											
Jahangir Siddiqui & Company Limited	-	20,000	-	-	20,000	100,000	100,072	72	6.59%	17.23%	1.33%
Total as at June 30, 2018	19,037	53,000	17,537	-	54,500	273,130	272,300	(830)	17.93%	46.89%	
Total as at June 30, 2017	19,037	-	-	-	19,037	165,513	166,245	732	9.66%	34.00%	

\* These certificates have a face value of Rs. 1 million and Rs. 1 hundred thousand respectively.

### 5.1.3.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2018 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Commercial Banks</b>				
Askari Bank Limited	6 months KIBOR + 1.75%	30-Sep-14	30-Sep-24	AA-
Bank AL Habib Limited	6 months KIBOR + 0.75%	17-Mar-16	17-Mar-26	AA
<b>Investment Banks / Investment Companies / Securities Companies</b>				
Jahangir Siddiqui & Company Limited	6 months KIBOR + 1.40%	6-Mar-18	6-Mar-23	AA+

### 5.1.3.2 The cost of investments as at June 30, 2018 is Rs. 276.308 million (2017: Rs 186.285 million). These carry profit at 6.65% to 9.22%. (2017: 6.88% to 8.69%) per annum and will mature from 6 March 2023 to 17 March 2026 (2017: December 2, 2017).

## 5.1.4 Listed debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					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
	As at July 1, 2017	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2018						
----- (Rupees in '000) -----											
Dawood Hercules Corporation Limited (16-11-17 issue)	-	1,000	-	-	1,000	100,000	100,200	200	6.60%	17.26%	0.02%
Total as at June 30, 2018	-	1,000	-	-	1,000	100,000	100,200	200	6.60%	17.26%	
Total as at June 30, 2017	-	-	-	-	-	-	-	-	-	-	

### 5.1.4.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2018 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Dawood Hercules Corporation Limited (16-11-17 issue)	3 months KIBOR + 1.00%	16-Nov-17	16-Nov-22	AA

### 5.1.4.2 The cost of investments as at June 30, 2018 is Rs 100 million (2017: Nil million). These carry profit at 7.41%. (2017: Nil) per annum and will mature from November 16, 2022 (2017: Nil).

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

### 5.1.5 Unlisted debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates					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
	As at July 1, 2017	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2018						
----- (Rupees in '000) -----											
Chemical									%	%	
Ghani Gases Limited (03-02-17 issue)	480	-	-	-	480	38,380	37,966	(414)	2.50%	6.54%	0.04%
Oil and Gas											
Byco Petroleum Pakistan Ltd	-	10	-	-	10	1,000	998	(2)	0.07%	0.17%	0.00%
Fertilizer											
Dawood Hercules Corporation Limited (1-3-18 issue)	-	250	-	-	250	25,000	25,016	16	1.65%	4.31%	0.00%
Miscellaneous											
International Brands Ltd	-	500	-	-	500	50,000	50,000	-	3.29%	8.61%	0.02%
Total as at June 30, 2018	480	760	-	-	1,240	114,380	113,980	(400)	7.51%	19.63%	
Total as at June 30, 2017	480	-	-	-	480	46,000	46,460	460	2.70%	9.50%	

#### 5.1.5.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2018 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
<b>Chemical</b>				
Ghani Gases Limited (03-02-17 issue)	3 months KIBOR + 1.00%	2-Feb-17	2-Feb-23	A
<b>Oil and Gas</b>				
Byco Petroleum Pakistan Ltd	3 months KIBOR + 1.05%	18-Jan-17	18-Jan-22	AAA
<b>Investment Banks / Investment Companies / Securities Companies</b>				
Dawood Hercules Corporation Limited (1-3-18 issue)	3 months KIBOR + 1.00%	1-Mar-18	1-Mar-23	AA
<b>Miscellaneous</b>				
International Brands Ltd	12 months KIBOR + 0.50%	15-Nov-17	15-Nov-21	AA

**5.1.5.2** The cost of investments as at June 30, 2018 is Rs 125.011million (2017: Rs 48.784 million). These carry profit at 6.97% to 7.80%. (2017: 7.14%) per annum and will mature from November 15, 2021 to March 1, 2023 (2017: February 2, 2023).

### 5.1.6 Listed equity securities (spread transactions)

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 investee company
----- (Number of shares) -----											
						----- (Rupees in '000) -----			%	%	%
Automobile Parts and Accessories											
Loads Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
Cable and Electrical Goods											
Pak Elektron Limited	-	508,000	-	508,000	-	-	-	-	-	-	-
						-	-	-	-	-	-

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 investee company
						(Rupees in '000)			%	%	%
<b>Cement</b>											
Cherat Cement Company Limited	-	7,000	-	7,000	-	-	-	-	-	-	-
D. G. Khan Cement Company Limited	-	573,500	-	573,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	-	55,000	-	55,000	-	-	-	-	-	-	-
Lucky Cement Limited	-	1,000	-	1,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	146,500	-	146,500	-	-	-	-	-	-	-
Pioneer Cement Limited	-	45,000	-	45,000	-	-	-	-	-	-	-
Power Cement Limited	-	4,000	-	4,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Chemical</b>											
Descon Oxychem Limited	-	707,500	-	707,500	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	-	813,500	-	813,500	-	-	-	-	-	-	-
Engro Polymer & Chemicals	-	322,500	-	322,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Commercial Banks</b>											
Askari Bank Limited	-	84,500	-	84,500	-	-	-	-	-	-	-
Bank Alfalah Limited	-	509,000	-	509,000	-	-	-	-	-	-	-
Bank of Punjab	-	1,081,500	-	1,081,500	-	-	-	-	-	-	-
Habib Bank Limied	-	2,000	-	2,000	-	-	-	-	-	-	-
National Bank of Pakistan	-	6,500	-	6,500	-	-	-	-	-	-	-
United Bank Limited	-	15,000	-	15,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Engineering</b>											
Amreli Steels Limited	-	1,000	-	1,000	-	-	-	-	-	-	-
Aisha Steel Limited	-	72,500	-	72,500	-	-	-	-	-	-	-
Crescent Steel & Allied Products	-	3,000	-	3,000	-	-	-	-	-	-	-
International Industries Limited	-	26,500	-	26,500	-	-	-	-	-	-	-
International Steels Limited	-	94,500	-	94,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Fertilizer</b>											
Engro Fertilizer Limited	-	54,500	-	54,500	-	-	-	-	-	-	-
Engro Corporation Limited	-	4,000	-	4,000	-	-	-	-	-	-	-
Fatima Fertilizer Company Limited	-	500	-	500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	19,000	-	19,000	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	-	32,000	-	32,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Food and Personal Care Products</b>											
Engro Foods Limited	-	22,500	-	22,500	-	-	-	-	-	-	-
Treet Corporation Limited	-	7,500	-	7,500	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil &amp; Gas Exploration Companies</b>											
Oil and Gas Development Company Limited	-	10,000	-	10,000	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	2,000	-	2,000	-	-	-	-	-	-	-
Pakistan Petroleum Limited	-	5,000	-	5,000	-	-	-	-	-	-	-
						-	-	-	-	-	-
<b>Oil &amp; Gas Marketing Companies</b>											
Pakistan State Oil Company Limited	-	268,000	-	268,000	-	-	-	-	-	-	-
Sui Northern Gas Pipelines	-	19,500	-	19,500	-	-	-	-	-	-	-
Sui Southern Gas Co. Limited	-	116,000	-	116,000	-	-	-	-	-	-	-
						-	-	-			

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

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 investee company
									%	%	%
----- (Number of shares) -----											
----- (Rupees in '000) -----											
<b>Refinery</b>											
Attock Refinery Limited	-	252,000	-	252,000	-	-	-	-	-	-	-
Byco Petroleum Pakistan Limited	-	19,500	-	19,500	-	-	-	-	-	-	-
National Refinery Ltd	-	4,500	-	4,500	-	-	-	-	-	-	-
<b>Technology and Communication</b>											
Pakistan Telecommunication Company Limited	-	164,000	-	164,000	-	-	-	-	-	-	-
TPL Corp Limited	-	131,500	-	131,500	-	-	-	-	-	-	-
TRG Pakistan Limited	-	354,500	-	354,500	-	-	-	-	-	-	-
WorldCall Telecom Limited	-	251,500	-	251,500	-	-	-	-	-	-	-
<b>Textile Composite</b>											
Gul Ahmed Textile Mills Ltd	-	12,000	-	12,000	-	-	-	-	-	-	-
Nishat (Chunian) Limited	-	197,500	-	197,500	-	-	-	-	-	-	-
Nishat Mills Limited	-	12,000	-	12,000	-	-	-	-	-	-	-
<b>Transport</b>											
Pakistan International Bulk Terminal Limited	-	232,500	-	232,500	-	-	-	-	-	-	-
<b>Total as at June 30, 2018</b>											
<b>Total as at June 30, 2017</b>											

5.1.6.1 The cost of investments in listed equity securities as at June 30, 2018 is Nil (2017: Nil).

5.1.6.2 The movement in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells them in future settlement market earning income on spread transactions due to difference in ready and future stock prices.

### 5.2 Government securities - Pakistan investment bonds

Tenure	Issue Date	Face Value				As at June 30, 2018			Market value as a percentage of net assets	Market value as a percentage of total Investments
		At July 01, 2017	Purchases during the period	Sales / matured during the period	As At June 30, 2018	Carrying value	Market value	Appreciation		
Rupees in '000										
%										
Pakistan Investment Bonds - 10 Years										
Pakistan Investment Bonds	August 30, 2008	7,400	-	-	7,400	7,424	7,462	(38)	0.49%	1.29%
As at June 30, 2018						7,424	7,462	(38)	0.49%	1.29%
As at June 30, 2017						8,064	7,885	(179)	0.46%	1.61%

5.2.1 The cost of investments as at June 30, 2018 amounts to Rs 8.127 million (2017: Rs 8.127 million). These securities are held in the IPS account of Habib Metropolitan Bank Limited maintained with the State Bank of Pakistan. These carry profit at the rate of 12% (2017: 12%) per annum and will mature on August 30, 2018 (2017: August 30, 2018).

### 5.3 Unrealised appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss - net

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Market value as at June 30, 2018 - net of provision	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	573,194	331,026
Less: carrying value as at June 30, 2018 - net of provision	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	(575,407)	(329,376)
		<u>(2,213)</u>	<u>1,658</u>

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

5.4 Unrealised appreciation on re-measurement of investments classified as available for sale - net	Note	2018 (Rupees in '000)	2017
Market value as at June 30, 2018		7,462	7,885
Less: carrying value as at June 30, 2018		<u>(7,424)</u>	<u>(8,064)</u>
		38	(179)
Less: unrealised diminution on re-measurement of investments classified as available for sale as at July 1, 2017		<u>(179)</u>	<u>(1,601)</u>
		<u>217</u>	<u>1,422</u>

5.5 These carried mark-up at 6.75% per annum and was due to mature by September 28, 2017.

## 5.6 Status of non compliance as per circular 16 of 2010 issued by the Securities and Exchange Commission of Pakistan

The Securities and Exchange Commission of Pakistan (SECP), vide its circular no. 16 dated July 7, 2010 has prescribed certain disclosures for non-compliances, either with the minimum investment criteria specified for the category assigned to the collective investment schemes or with the investment requirements of their constitutive documents.

Name of non-compliant investments	Note	Type of Instrument	Value of Investment before provision	Provision held if any	Value of Investment after provision	% of net assets	% of gross assets
Trust Investment Bank Limited (04-07-08 issue)	5.1.2.1	TFC	18,743	(18,743)	-	-	-
Telecard Limited (27-05-05 issue)	5.1.2.1	TFC	31,088	(31,088)	-	-	-
Pace Pakistan Limited (15-02-08 issue)	5.1.2.1	TFC	49,940	(49,940)	-	-	-

6 PROFIT RECEIVABLE	Note	2018 (Rupees in '000)	2017
Profit receivable on:			
- Bank balances (in saving accounts)		3,790	6,650
- Investments:			
Term deposit receipts		-	28
Term finance certificates		12,345	5,016
Government securities		298	298
- Margin trading system		<u>968</u>	<u>276</u>
		<u>17,401</u>	<u>12,268</u>

## 7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax	4,169	4,100
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	200	200
Advance against IPO subscription	65,000	1,000
Receivable from National Clearing Company of Pakistan Limited	7,060	18,354
Security Deposits Against MTS	1,603	1,603
Prepayments	188	245
Others	<u>5</u>	<u>5</u>
	<u>80,725</u>	<u>28,007</u>

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

8	PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY	2018	2017
		(Rupees in '000)	
	Management remuneration payable	8.1 963	2,064
	Sindh sales tax payable on management remuneration	8.2 126	269
	Sales load payable	202	6
	Payable against allocated expenses	8.3 122	132
		<u>1,413</u>	<u>2,471</u>

**8.1** The management from May 1, 2018 charges a fee of 10% of the gross income of the fund calculated on a daily basis, not exceeding 1.5% of the average net assets of the fund (as required by the relevant regulations) nor lower than 0.25% of the same. Previously till April 30, 2018 the fee as charged by the Management Company was restricted to a maximum of 1.5% of the average net assets of the fund. The change was made through an ammendment in offering document which was approved by the SECP on April 25, 2018. 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 up to 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.

9	PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2018	2017
			(Rupees in '000)	
	Trustee remuneration payable	9.1	175	185
	Sindh sales tax on remuneration of the Trustee	9.2	23	24
			<u>198</u>	<u>209</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 0.6 million or 0.17% per annum of net assets, whichever is higher.
On an amount exceeding Rs 1,000 million upto Rs 5,000 million	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% 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	2017
			(Rupees in '000)	
	Annual fee payable to the SECP	10.1	<u>1,124</u>	<u>919</u>

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

- 10.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme classified as an Income Fund scheme is required to pay as annual fee to the SECP, an amount equal to 0.075 percent of the average annual net assets of the Fund.

	Note	2018 (Rupees in '000)	2017
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision against Sindh Workers' Welfare Fund	11.1	4,258	2,836
Legal and professional charges		68	59
Withholding tax on capital gains		65	1,686
Auditors' remuneration		426	375
Brokerage		38	289
Sindh sales tax payable on allocated expenses		455	262
Federal excise duty and other related taxes payable on management remuneration	11.2	9,210	9,210
Federal excise duty and other related taxes payable on sales load		239	239
Others		663	595
		<u>15,422</u>	<u>15,551</u>

- 11.1** 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 0.1579 per unit (2017: Re 0.0885).

- 11.2** 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

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

FED made till June 30, 2018 amounting to Rs 9.210 million (2017: Rs 9.210 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, 2017 would have been higher by Re 0.3416 per unit (2017: Re 0.2876 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 below:

12.1 Commitments	2018 (Rupees in '000)	2017 (Rupees in '000)
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at year end	19,640	2,275
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at year end	76,327	-

### 13 AUDITORS' REMUNERATION

Annual audit fee	318	280
Half yearly review fee	181	160
Other certification and services	114	105
Out of pocket expenses	129	-
	742	545

### 14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2018 is 2.30% which includes 0.47% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, Laga and Levy charges etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an Income 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 CASH AND CASH EQUIVALENTS	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
Bank balances	4	616,193	1,194,719
Term deposit receipts	5.5	-	150,000
		616,193	1,344,719

### 17 TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being



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

the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, 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 and their close family members, 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 connected persons / related parties and balances with them at the year end are as follows:

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

	Note	2018 (Rupees in '000)	2017
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>			
Remuneration of the Management Company (including indirect taxes)		23,416	18,269
Allocated expenses and related taxes		1,693	1,384
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Remuneration of the Trustee (including indirect taxes)		2,400	2,137
CDS charges		340	351
<b>Arif Habib Limited</b>			
Brokerage expense	17.3	3	9
<b>MCB Bank Limited - Parent of the Management Company</b>			
Profit on Bank deposits		75	161
Bank charges		20	8
<b>Next Capital Limited</b>			
Brokerage expense	17.3	9	32
<b>Silk Bank Limited</b>			
Mark-up on deposit accounts		11,367	-
Bank charges		30	-
<b>Adamjee Life Assurance Company Limited - Employees gratuity fund</b>			
Issue of Nil units (2017: 1,005 units)		-	54
Dividend paid		-	72
<b>Power Cement</b>			
Purchase of 4,000 (2017: NIL) shares		39	-
Sale of 4,000 (2017: NIL) shares		39	-
<b>Fatima Fertilizer Company Limited</b>			
Purchase of 500 (2017: 210,000) shares		16	7,483
Sale of 500 (2017: 210,000) shares		16	7,478
Dividend income		-	50

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

	Note	2018 (Rupees in '000)	2017
<b>Nishat (Chunian) Limited</b>			
Purchase of 197,500 (2017: 1,694,000) shares		10,014	103,677
Sale of 197,500 (2017: 1,694,000) shares		10,075	104,246
Dividend income		8	88
<b>Mandate under discretionary portfolio</b>			
Issue of 456,709 units (2017: 2,233,142 units)		25,201	121,118
Redemption of 150,080 (2016: 2,236,806 units)		8,257	121,538
Dividend paid		-	2
<b>D.G. Khan Cement Company Limited</b>			
Purchase of 573,500 (2017: 220,500) shares		85,876	48,162
Sale of 573,500 (2017: 220,500) shares		86,258	48,394
<b>Aisha Steel Limited</b>			
Purchase of 72,500 (2017: 87,000) shares		1,507	6,656
Sale of 72,500 (2017: 87,000) shares		1,516	6,702
<b>Nishat Mills Limited</b>			
Purchase of 12,000 (2017: 171,000) shares		1,829	27,588
Sale of 12,000 (2017: 171,000) shares		1,840	27,788
<b>Directors and Executives of the Management Company</b>			
Issue of units 4,303 (2017: 99,716 units)		241	5,358
Redemption of 99,190 units (2017: 535 units)		5,384	30
Dividend paid		-	-
<b>17.2 Details of balances with related parties / connected persons as at year end</b>		<b>2018</b>	<b>2017</b>
		<b>(Rupees in '000)</b>	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>			
Management remuneration payable		963	2,064
Sindh sales tax payable on management remuneration		126	269
Sales load payable		202	6
Payable against allocated expenses		122	132
<b>Central Depository Company of Pakistan Limited - Trustee</b>			
Trustee remuneration payable		175	185
Sindh sales tax payable on Trustee remuneration		23	24
Security deposit		200	200
<b>MCB Bank Limited - Parent of the Management Company</b>			
Bank balance		2,876	28,632
Profit receivable on bank deposits		5	1
<b>Silk Bank Limited</b>			
Bank balance		274,323	-
Profit receivable		1,812	-

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

		2018 (Rupees in '000)	2017
<b>Next Capital Limited</b>			
Brokerage payable	17.3	9	-
<b>Arif Habib Limited</b>			
Brokerage payable	17.3	3	-
<b>Adamjee Life Assurance Company Limited - Employees gratuity fund</b>			
Outstanding Nil units (2017: 21,337 units)		-	1,147
<b>Directors and key management personnel of the Management Company</b>			
Outstanding 4,294 units (2017: 99,181 units)		242	532
<b>Mandate under discretionary portfolio</b>			
Outstanding 307,168 units (2017: 539 units)		17,303	29

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

## 18 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 or available for sale. 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)				
<b>Financial assets</b>				
Bank balances	616,193	-	-	616,193
Investments	-	573,194	7,462	580,656
Receivable against margin trading system	242,107	-	-	242,107
Profit receivable	17,401	-	-	17,401
Advances, deposits, prepayments and other receivables	76,368	-	-	76,368
	<u>952,069</u>	<u>573,194</u>	<u>7,462</u>	<u>1,532,725</u>

Particulars	June 30, 2018		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	1,287	1,287
Payable to Central Depository of Pakistan Limited - Trustee	-	175	175
Payable against redemption of units	-	47	47
Accrued expenses and other liabilities	-	1,195	1,195
	<u>-</u>	<u>2,704</u>	<u>2,704</u>

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

Particulars	June 30, 2017			
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Available for sale	Total
(Rupees in '000)				
<b>Financial assets</b>				
Bank balances	1,194,719	-	-	1,194,719
Investments	150,000	331,026	7,885	488,911
Receivable against margin trading system	17,519	-	-	17,519
Profit receivable	12,268	-	-	12,268
Advances, deposits, prepayments and other receivables	23,662	-	-	23,662
	<u>1,398,168</u>	<u>331,026</u>	<u>7,885</u>	<u>1,737,079</u>

Particulars	June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
(Rupees in '000)			
<b>Financial liabilities</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	2,202	2,202
Payable to Central Depository of Pakistan Limited - Trustee	-	185	185
Payable against redemption of units	-	313	313
Accrued expenses and other liabilities	-	1,318	1,318
	<u>-</u>	<u>4,018</u>	<u>4,018</u>

### 19 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.

#### 19.1 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 of three types of risk: currency risk, interest rate risk and price risk.

##### 19.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate 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.

##### 19.1.2 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.

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

The interest rate risk profile of the Fund as a result of investment in Financial Instruments is as follows:

	Note	2018	2017
		-----Rupees-----	
<b>Variable rate instrument (financial asset)</b>			
Bank balance	4	616,184	1,166,389
Term Finance Certificates	5.1.2 & 5.1.3	324,393	273,892
Sukuks Certificates	5.1.4 & 5.1.5	214,180	7,517
		<u>1,154,757</u>	<u>1,447,798</u>
<b>Fixed rate instruments (financial assets)</b>			
Government securities - held for trading	5.1.1	34,621	49,617
Government securities - available for sale	5.2	7,462	7,885
Term deposit receipts		-	150,000
		<u>42,083</u>	<u>207,502</u>

### a) Sensitivity analysis for variable rate instrument

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 11.55 million (2017: Rs 14.48 million).

### b) Fair value sensitivity analysis for fixed rate instruments

As at June 30, 2018, the Fund holds market treasury bills and Pakistan investment Bonds 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 interest 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 0.42 million (2017: Rs 2.08 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. 0.42 million (2017: Rs. 2.08 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.

Particulars	As at June 30, 2018					
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
<div>%----- (Rupees in '000) -----</div>						

#### On-balance sheet financial instruments

##### Financial assets

Bank balances	3.75% to 8.10%	616,184	-	-	9	616,193
Investments	6.64% to 9.22%	530,656	50,000	-	-	580,656
Receivable against margin trading system		-	-	-	-	242,107
Profit receivable		-	-	-	17,401	17,401
Advances, deposits, prepayments and other receivables		-	-	-	76,368	76,368
<b>Sub total</b>		<u>1,146,840</u>	<u>50,000</u>	<u>-</u>	<u>93,778</u>	<u>1,532,725</u>

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

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)	

(Rupees in '000)

## Financial liabilities

Payable to MCB-Arif Habib Savings and Investments

Limited - Management Company

- - - 1,287 1,287

Payable to Central Depository of Pakistan Limited - Trustee

- - - 175 175

Payable against redemption of units

- - - 47 47

Accrued expenses and other liabilities

- - - 1,195 1,195

**Sub total**

- - - 2,704 2,704

**On-balance sheet gap**

1,388,947 50,000 - 91,074 1,530,021

**Total interest rate sensitivity gap**

1,388,947 50,000 - 91,074 1,530,021

**Cumulative interest rate sensitivity gap**

1,388,947 1,488,947 1,488,947

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)	-----	

(Rupees in '000)

**On-balance sheet financial instruments**

## Financial assets

Bank balances

3.75% to 9.6% 1,166,389 - - 28,330 1,194,719

Investments

5.99% to 12% 199,617 7,517 281,777 - 488,911

Receivable against margin trading system

17,519

Profit receivable

- - - 12,268 12,268

Advances, deposits, prepayments and other receivables

- - - 23,662 23,662

**Sub total**

1,383,525 7,517 281,777 64,260 1,737,079

## Financial liabilities

Payable to MCB-Arif Habib Savings and

Investments Limited - Management Company

- - - 2,202 2,202

Payable to Central Depository of Pakistan Limited - Trustee

- - - 185 185

Payable against redemption of units

- - - 313 313

Accrued expenses and other liabilities

- - - 1,318 1,318

**Sub Total**

- - - 4,018 4,018

**On-balance sheet gap**

1,383,525 7,517 281,777 60,242 1,733,061

**Total interest rate sensitivity gap**

1,383,525 7,517 281,777 60,242 1,733,061

**Cumulative interest rate sensitivity gap**

1,383,525 1,391,042 1,672,819



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

### 19.1.3 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.

As at the reporting date, the fund is not exposed to price risk as no equity securities are held by the fund.

### 19.2 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 receivable and deposit 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.

#### 19.2.1 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	616,193	616,193	1,194,719	1,194,719
Investments	580,656	538,573	488,911	431,409
Receivable against margin trading system	242,107	242,107	17,519	17,519
Profit receivable	17,401	17,103	12,268	11,970
Advances, deposits, prepayments and other receivables	76,368	76,368	23,662	23,662
	<u>1,532,725</u>	<u>1,490,344</u>	<u>1,737,079</u>	<u>1,679,279</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs 42.08 million (2017: Rs 57.50 million) including profit receivable on such government securities of Rs 0.30 million (2017: Rs 0.30 million) is not exposed to credit risk.

#### 19.2.2 Bank balances

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

	2018		2017	
Rating	Rupees in '000	%	Rupees in '000	%
AAA	3,287	0.53%	28,676	2.40%
AA+	55,585	9.02%	80,012	6.70%
AA-	12	0.00%	803,218	67.23%
AA	7	0.00%	150,009	12.56%
A+	150,534	24.43%	11	0.00%

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

	2018		2017	
	Rupees in '000	%	Rupees in '000	%
A-	274,323	44.52%	70,384	5.89%
A	132,445	21.50%	62,409	5.22%
	<u>616,193</u>	<u>100.00%</u>	<u>1,194,719</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.

### 19.2.3 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	921,649	61.85%	1,579,673	94.07%
Oil & gas	998	0.07%	1,000	0.06%
Chemicals	37,966	2.55%	46,460	2.77%
Investment Banks / Investment Companies and Securities Companies	100,072	6.71%	-	0.00%
Fertilizer	125,216	8.40%	-	0.00%
National Clearing Company of Pakistan Limited	11,163	0.75%	22,457	1.34%
Central Depository Company of Pakistan Limited	200	0.01%	200	0.01%
Receivable against margin trading system	243,075	16.31%	17,519	1.04%
Others	50,005	3.35%	11,970	0.71%
	<u>1,490,344</u>	<u>100.00%</u>	<u>1,679,279</u>	<u>100.00%</u>

### 19.3 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 summaries 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.

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

2018	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----- Rupees in '000 -----					
<b>Financial assets</b>						
Bank balances	616,193	-	-	-	-	616,193
Investments	-	42,083	-	366,345	172,228	580,656
Receivable against margin trading system	242,107	-	-	-	-	242,107
Profit receivable	17,401	-	-	-	-	17,401
Advances, deposits, prepayments and other receivables	76,368	-	-	-	-	76,368
	952,069	42,083	-	366,345	172,228	1,532,725
<b>Financial liabilities</b>						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	1,287	-	-	-	-	1,287
Payable to Central Depository of Pakistan Limited - Trustee	175	-	-	-	-	175
Payable against redemption of units	47	-	-	-	-	47
Accrued expenses and other liabilities	1,195	-	-	-	-	1,195
	2,704	-	-	-	-	2,704
<b>Net assets</b>	<b>949,365</b>	<b>42,083</b>	<b>-</b>	<b>366,345</b>	<b>172,228</b>	<b>1,530,021</b>
2017	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
	----- Rupees in '000 -----					
<b>Financial assets</b>						
Bank balances	1,194,719	-	-	-	-	1,194,719
Investments	-	199,617	7,517	114,061	167,716	488,911
Receivable against margin trading system	17,519	-	-	-	-	17,519
Profit receivable	12,268	-	-	-	-	12,268
Advances, deposits, prepayments and other receivables	23,662	-	-	-	-	23,662
	1,248,168	199,617	7,517	114,061	167,716	1,737,079
<b>Financial liabilities</b>						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	2,202	-	-	-	-	2,202
Payable to Central Depository of Pakistan Limited - Trustee	185	-	-	-	-	185
Payable against redemption of units	313	-	-	-	-	313
Accrued expenses and other liabilities	1,318	-	-	-	-	1,318
	4,018	-	-	-	-	4,018
<b>Net assets</b>	<b>1,244,150</b>	<b>199,617</b>	<b>7,517</b>	<b>114,061</b>	<b>167,716</b>	<b>1,733,061</b>

### 19.4 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;

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

- 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:

----- As at June 30, 2018 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>Financial assets 'at fair value through profit or loss' - net</b>				
Government securities	-	34,621	-	34,621
Listed debt securities	-	324,393	-	324,393
Unlisted debt securities	-	214,180	-	214,180
<b>Available for sale investments</b>				
Government securities	-	7,462	-	7,462
----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
<b>Financial assets 'at fair value through profit or loss' - net</b>				
Government securities	-	49,617	-	49,617
Listed debt securities	-	273,892	-	273,892
Unlisted debt securities	-	7,517	-	7,517
<b>Available for sale investments</b>				
Government securities	-	7,885	-	7,885

### 19.5 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 19, 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.

### 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 years	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	Syed Mohammad Usama Iqbal	Fund Manager	15	B.COM

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

**20.1** Syed Mohammad Usama Iqbal is the Manager of the Fund. He is also managing Alhamra Islamic Income 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 Pvt Ltd	20.02%
2	IGI Securities Finex Ltd	19.97%
3	Multiline Securities Pvt Ltd	16.53%
4	BIPL Securities Limited	10.00%
5	MRA Securities Limited	7.43%
6	Aba Ali Habib Securities Ltd	5.43%
7	Top Line Securities Pvt Ltd	4.74%
8	JS Global Capital Limited	3.65%
9	Al Falah Securities Pvt Ltd	3.03%
10	Intermarket Securities Ltd	2.93%

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	13.20%
2	MRA Securities Limited	10.50%
3	Aba Ali Habib Securities Limited	10.25%
4	EFG Hermes Pakistan Limited	8.45%
5	JS Global Capital Limited	7.89%
6	Al Falah Securities Private Limited	7.47%
7	Intermarket Securities Limited	6.65%
8	Top Line Securities Private Limited	6.54%
9	DJM Securities Private Limited	5.61%
10	Multiline Securities Private Limited	4.99%

### **22 PATTERN OF UNIT HOLDING**

Following is the holding patterns of the Fund as at June 30, 2018 and June 30, 2017.

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
Individuals	911	10,317,781	581,198	38.27%
Insurance companies	10	4,110,542	231,546	15.24%
Retirement funds	42	8,819,517	496,801	32.71%
Others	37	3,716,212	209,333	13.78%
	<u>1,000</u>	<u>26,964,052</u>	<u>1,518,878</u>	<u>100.00%</u>

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

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
Individuals	866	11,669,955	627,407	36.44%
Associated company	1	21,338	1,147	0.07%
Insurance companies	17	7,213,826	387,834	22.52%
Retirement funds	42	9,102,203	489,359	28.42%
Others	36	4,021,634	216,214	12.55%
	<u>962</u>	<u>32,028,956</u>	<u>1,721,961</u>	<u>100.00%</u>

### 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	-	-

### 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 the 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. 2.5511 per unit for the year ended June 30, 2018.

### 26 GENERAL

Figures have been rounded off to the nearest thousand rupees.

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

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### 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**

<b>No. of Unit Holders</b>	<b>Unit Holdings</b>	<b>Total Units Held</b>
766	0-10000	1,034,604
180	10001 - 100000	5,739,796
50	100001 - 1000000	14,315,792
4	1000001 - Onwards	5,873,860
<u>1000</u>		<u>26,964,052</u>

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

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	1,519	1,722	1,050	1,131	1,008
Net Assets value per unit – Rupees	56.3297	53.7626	53.61	53.42	52.04
Closing Offer Price	57.6028	54.9776	55.07	54.88	53.48
Closing Repurchase Price	56.3297	53.7626	53.61	53.42	52.04
Highest offer price per unit	57.6028	58.5767	58.30	59.73	54.58
Lowest offer price per unit	54.9843	54.75	54.90	53.49	53.27
Highest Redemption price per unit	56.3297	57.22	56.80	58.14	53.11
Lowest Redemption price per unit	53.7691	53.51	53.50	52.06	51.84
Distribution per unit – Rs. *		3.54	3.10	4.50	6.15
<b>Average Annual Return - %</b>					
One year	4.77	6.90	6.14	11.31	8.13
Two year	5.84	6.52	8.73	9.72	
Three year	5.94	8.12	8.53	8.87	
Net Income for the year – Rs. in million	69.70	69.019	59.68	114.74	78.16
Distribution made during the year – Rs. in million	-	65.255	56.37	84.89	77.22
Accumulated Capital Growth – Rs. in million	69.698	3.764	3.31	29.85	0.83
Weighted average Portfolio Duration ( years )	1.9	1.0	2.3	2.10	

\* Date of Distribution

2017	
Date	Rate
June 19, 2017	3.54

2016	
Date	Rate
June 27, 2016	3.1

2015	
Date	Rate
June 22, 2015	4.50

2014	
Date	Rate
July 4, 2013	1.16
September 27, 2013	0.86
December 26, 2013	1.93
March 27, 2014	1.11
June 27, 2014	1.09

### Disclaimer

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

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

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