



**MCB-ARIF HABIB**  
Savings and Investments Limited

# ANNUAL REPORT | 2017

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



# **PAKISTAN CASH MANAGEMENT FUND**

## CONTENTS

1.	Fund's Information	282
2.	Report of the Directors of the Management Company	283
3.	Report of the Fund Manager	293
4.	Trustee Report to the Unit Holders	294
5.	Statement of Compliance with the Code of Corporate Governance	295
6.	Review Report to the Unit Holders on the Statement of Compliance with the Best Practices of the Code of Corporate Governance	297
7.	Independent Auditor's Report to the Unit Holders	298
8.	Statement of Assets and Liabilities	300
9.	Income Statement	301
10.	Statement of Other Comprehensive Income	302
11.	Distribution Statement	303
12.	Statement of Movement in Unit Holder's Fund	304
13.	Cash Flow Statement	305
14.	Notes to and Forming Part of the Financial Statements	306
15.	Pattern of Holding as per Requirement of Code of Corporate Governance	331
16.	Pattern of Units Holding by Size	332
17.	Performance Table	333

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, O Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Mohammad 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>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 Financial Officer &amp; Company Secretary</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>MCB Financial Services Limited</b> 4th Floor, Pardesi House, Old Queens Road, Karachi, Pakistan. Ph: (92-21) 32419770 Fax: (92-21) 32416371 Web: www.mcbfsl.com.pk	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Zarai Taraqiati Bank Limited	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes Sidat Hyder</b> Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, O Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2++ Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Pakistan Cash Management Fund's** accounts review for the year ended June 30, 2017.

## ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy achieved its decade high growth of 5.28% in FY17 which though missed the target of 5.7% but still reflects progressive movement from stabilization phase to growth trajectory. Agriculture sector remained the main stay, posting a growth of 3.50% compared to a modest of 0.26% a year back. This was well supported by Services with 6% YoY growth. On the industrial front, large scale manufacturing sector recorded growth of 5.7% for 11MFY17 with major contribution coming from consumer, construction and power segment. Auto sector recorded double digits growth as demand continued to grow and new models were introduced by local OEMs. CPEC related and other infrastructure investment continued to provide boom to construction related industries including steel and cement.

On the external front, a 17.7% rise in imports and 1.4% drop in exports widened the trade deficit to USD 26.9 billion in FY17 compared to USD 19.3 billion a year back. Major contribution in imports came from Petroleum products, which posted an increase of 21% to USD 10.6 billion, followed by Food (15% YoY rise) and Machinery (10% YoY rise). Increase in oil prices, LNG imports to fill the natural gas deficit, fast growing demand of consumer products and capital goods import for various projects guided the import bill to USD 48.5 billion in FY17.

Remittance marginally declined during FY17 to USD 19.30 billion, ~3.08% lower than last year, where major reasons can be attributed to employment situation in Middle East and slower than expected global recovery.

The above two factors (declining remittance and rising CA deficit) have started to put pressure on FX reserves, wiping out ~USD 1.72 billion since July 1, 2016 to end the year at USD 21.368 billion.

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

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

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

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

BOP deficits have caused Net Foreign Asset of the banking system to shrink from PKR 1.0 trillion at the end of FY16 to PKR 601 billion only at the end of FY17. M2 growth remains elevated (+13.7% Y/Y) owing to the government running large budget deficits, which has also led to Net Domestic Asset of the banking system to grow by 18.3% YoY. The government relied on SBP for funding with borrowings of PKR 908 billion leaving local banks with substantial liquidity. In second half of FY17, Yield Curve has remained flat; whereas liquidity was adequately managed by SBP.

Shariah Instruments market remained thinly supplied as State Bank of Pakistan conducted a sole Ijara Sukuk auction in FY17 based on fixed rate rental arrangement offering yields of 5.24% and borrowing PKR 71 billion against the maturing Ijara Sukuk of PKR 50 billion evidencing a scarcity of avenues for Islamic investments.

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

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## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.34% as against its benchmark return of 6.07%, an outperformance of 2.27%.

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

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 628 million as compared to Rs. 1,993 million as at June 30, 2016 registering a decrease of 68.49%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 50.2794 as compared to opening NAV of Rs. 50.2062 per unit as at June 30, 2016 registering an increase of Rs. 0.0732 per unit.

## FUTURE OUTLOOK

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

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

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

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth.

The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

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

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017**

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### **Corporate Governance**

The Fund is committed to implement the highest standards of corporate governance. With 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, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. 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.
- k. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

- m. 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, 2017:

### 1. Meeting of the Audit Committee.

During the year, six (6) meetings of the Audit Committee were held. The attendance of each participant is as follows:

S. No.	Name of Persons	Number of meetings held	Number of meetings		
			Attendance required	Attended	Leave granted
1	Mr. Haroun Rashid	6	6	3	3
2	Mr. Samad A. Habib	6	4	3	1
3	Mr. Ahmed Jahangir	6	6	6	-
4	Mr. Nasim Beg	6	6	6	-
5	Mirza Qamar Beg	6	2	2	-

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

During the year, four (4) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

S. No.	Name of Persons	Number of meetings	Number of meetings		
			Attendance required	Attended	Leave granted
1	Dr. Syed Salman Shah	4	4	4	-
2	Mr. Nasim Beg	4	4	4	-
3	Mr. Ahmed Jahangir	4	4	4	-
4	Mr. Haroun Rashid	4	4	3	1
5	Mr. Muhammad Saqib Saleem	4	4	4	-

- n. The trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	-	-	-
2	Muhammad Asif Mehdi Rizvi	Chief Operating Officer	29,953	3,536	3,858
3	Abdul Basit	Chief Financial Officer and Company Secretary	-	-	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-



## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

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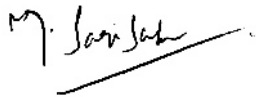
### External Auditors

The fund's external auditors, **Ernst & Young Ford Rhodes Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2018. The audit committee of the Board has recommended reappointment of, **Ernst & Young Ford Rhodes Chartered Accountants** as auditors of the fund for the year ending June 30, 2018.

### ACKNOWLEDGMENT

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

On behalf of Directors,



**Muhammad Saqib Saleem**  
Chief Executive Officer  
Karachi: August 4, 2017



**Nasim Beg**  
Director / Vice Chairman

## ڈائریکٹرز رپورٹ

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'ارنسٹ اینڈ یگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس' نے 30 جون 2018ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے کے لئے رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018ء کو ختم ہونے والے سال کے لئے 'ارنسٹ اینڈ یگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکریہ ادا 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

04 اگست 2017ء

## ڈائریکٹر رپورٹ

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
3	3	6	6	1. جناب ہارون رشید
1	3	4	6	2. جناب صدائے حبیب
-	6	6	6	3. جناب احمد جہانگیر
-	6	6	6	4. جناب نسیم بیگ
-	2	2	6	5. مرزا قمر بیگ

ہیومن ریسورس اینڈ رمیونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ رمیونریشن کمیٹی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

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

n. دوران سال میٹمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شوہر/کی بیوی اور نابالغ بچوں نے فنڈ کے نوٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	رڈیمپشن	ڈیویڈنڈ کی تقسیم
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	-	-
2.	محمد آصف مہدی رضوی	چیف آپریٹنگ آفیسر	29,953	3,536	3,858
3.	عبدالباسط	چیف فنانشل آفیسر اور کمپنی سیکرٹری	-	-	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

## ڈائریکٹرز رپورٹ

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

### کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے۔ بورڈ میں تین (3) خود مختار ڈائریکٹرز ہیں، اور مینجمنٹ کمپنی کی گورننگ باڈی کے طور پر بورڈ عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق میں متعین کردہ بہترین طریقوں سے متعلق شقوق، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو تفصیل واضح کیا گیا ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی نکات واضح کیے 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 معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non-Bینکنگ فنانس کمپنیز (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non-Bینکنگ فنانس اینڈ نوٹیفائیڈ انڈسٹریز ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

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

g. لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

h. کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

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

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

k. تمام ڈائریکٹرز ڈائریکٹرز میننگ پروگرام، کورس مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔

l. این ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی میننگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میننگز کی تفصیلات درج ذیل ہیں:

### آڈٹ کمیٹی کی میننگ

دوران سال آڈٹ کمیٹی کی چھ (06) میننگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

## ڈائریکٹر رپورٹ

دوسری ششماہی میں پیداواری خم سیدھا رہا، جبکہ اسٹیٹ بینک آف پاکستان نے لکویڈٹی کا انتظام خاطر خواہ حد تک چلایا۔ مارکیٹ میں شریعہ انسٹرومنٹس کی رسد کمزور رہی کیونکہ اسٹیٹ بینک آف پاکستان نے مالی سال 2017ء میں مقررہ شرح پر ریٹیل کی ترتیب پر مبنی صرف ایک اجارہ سلگ نیلامی کا انعقاد کیا جس نے 5.24 فیصد منافع جات پیش کیے اور میچور ہونے والے 50 بلین روپے کے اجارہ سلگ کے بالمقابل 71 بلین روپے قرض حاصل کیے۔ چنانچہ اسلامی سرمایہ کاری کے مواقع کی قلت کی نشاندہی ہوئی۔

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 8.34 فیصد تھا جو مقررہ معیار 6.07 فیصد کے مقابلے میں 2.27 فیصد زیادہ ہے۔ فنڈ کی سرمایہ کاری کا تناسب کمرشل بینکوں میں بڑھا دیا گیا کیونکہ کمرشل بینک دیگر مارکیٹ انسٹرومنٹس کے مقابلے میں نسبتاً پرکشش منافع پیش کر رہے تھے۔ 30 جون 2017ء کو فنڈ کے net اثاثہ جات 628 ملین روپے تھے، جو 30 جون 2016ء کو 1,993 ملین روپے کے مقابلے میں 68.49 فیصد کی ہے۔

30 جون 2017ء کو net اثاثہ جاتی قدر (NAV) فی یونٹ 50.2794 روپے تھی، جو آغاز مدت یعنی 30 جون 2016ء کو 50.2062 روپے فی یونٹ کے مقابلے میں 0.0732 روپے فی یونٹ اضافہ ہے۔

### مستقبل کا منظر

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

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

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

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

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

روپے کی قدر میں کمی، انٹریٹ کی شرح میں اضافہ اور معاشی ترقی آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبے مثلاً کمرشل بینک، ایکسپلوریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شرحوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفین



## ڈائریکٹر رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے پاکستان کیش مینجمنٹ فنڈ کے 30 جون 2017ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

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

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

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

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

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

حکومت مالیاتی خسارے کو 4.2 فیصد پر برقرار رکھ سکی جو متعین شدہ ہدف 3.8 فیصد سے تھوڑا زیادہ ہے۔ مجموعی اخراجات اور مجموعی آمدنی، دونوں میں 12 فیصد YoY اضافہ ہوا جبکہ مالیاتی توازن میں 11 فیصد YoY اضافہ ہوا۔ حکومت نے مالی سال 2018ء کے لئے مالیاتی خسارے کا ہدف 4.1 فیصد متعین کیا ہے۔ CA خسارے کے علاوہ ایک اور تشویشناک امر تجارتی خسارے میں اضافہ، اور اس بڑھتے ہوئے فرق کو پُر کرنے کے لئے مالیات فراہم کرنے کے لئے پبلک اور پرائیویٹ قرضہ جات میں اضافہ ہے۔ مارچ 2017ء تک پاکستان مجموعی طور پر 23.95 ٹریلین روپے کا قرضہ دار تھا، جو ایک سال کے دوران 2.33 ٹریلین روپے کا اضافہ ہے۔

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

ادائیگیوں کے توازن کے خسارہ جات کے باعث بینکاری کے نظام کے Net غیر ملکی اثاثہ جات سکڑ گئے۔ مالی سال 2016ء کے اختتام پر 1.0 ٹریلین روپے تھے جبکہ مالی سال 2017ء کے اختتام پر صرف 601 بلین روپے رہ گئے۔ حکومت کے خطیر بجٹ خساروں سے نمٹنے کے باعث M2 ترقی بلند سطح پر قائم رہی

(+13.7 فیصد YoY) اور بینکاری کے نظام کے Net مقامی اثاثہ جات میں 18.3 فیصد YoY ترقی ہوئی۔ حکومت نے مالیات کے لئے اسٹیٹ بینک آف پاکستان پر انحصار کرتے ہوئے 908 بلین روپے قرض حاصل کیا جس کے نتیجے میں مقامی بینکوں کو خاطر خواہ لکویڈٹی فراہم ہوئی۔ مالی سال 2017ء کی

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

### Fund Type and Category

Pakistan Cash Management Fund (PCF) is an open-end Money Market Fund

### Fund Benchmark

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

### Investment Objective

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

### Investment Strategy

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

### Manager's Review

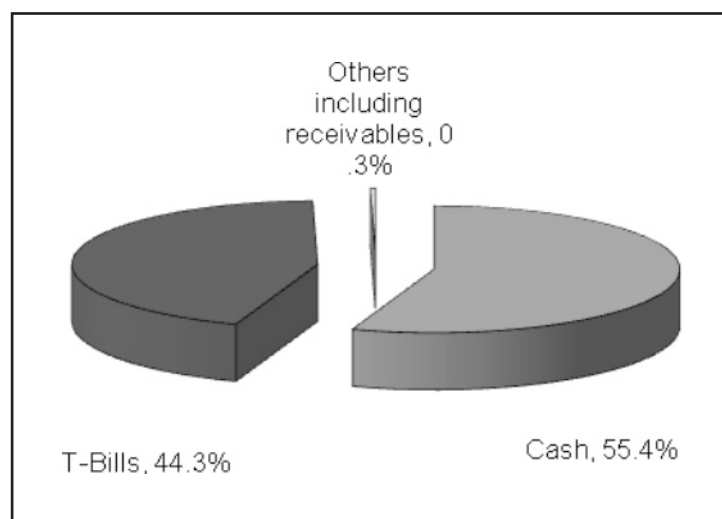
During the period under review, the fund generated an annualized return of 8.34% as against its benchmark return of 6.07%, an outperformance of 2.27%.

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

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 628 million as compared to Rs. 1,993 million as at June 30, 2016 registering a decrease of 68.49%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 50.2794 as compared to opening NAV of Rs. 50.2062 per unit as at June 30, 2016 registering an increase of Rs. 0.0732 per unit.

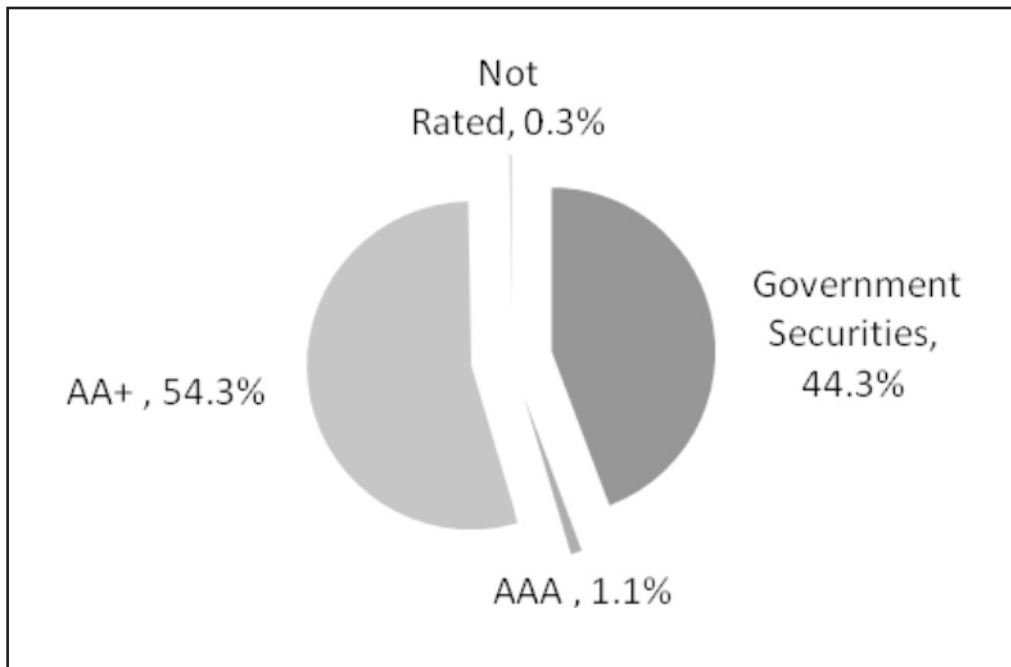
**Asset Allocation as on June 30, 2017** (% of total assets)



**REPORT OF THE FUND MANAGER  
FOR THE YEAR ENDED JUNE 30, 2017**

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**Asset Quality as on June 30, 2017 (% of total assets)**



**Saad Ahmed  
Fund Manager**

**Karachi: August 04, 2017**



**TRUSTEE REPORT TO THE UNIT HOLDERS  
FOR THE YEAR ENDED JUNE 30, 2017**

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**MCB FINANCIAL SERVICES LIMITED**

**REPORT OF THE TRUSTEE TO THE UNIT HOLDERS**

**PAKISTAN CASH MANAGEMENT FUND**

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

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

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

- I. MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Cash Management Fund has, in all material respects, managed Pakistan Cash Management Fund during the year ended 30<sup>th</sup> June 2017 in accordance with the provisions of the following:
  - (i) Investment limitations imposed on the Asset Management Company and the Trustee under the trust deed and other applicable laws;
  - (ii) the valuation or pricing is carried out in accordance with the deed and any regulatory requirement;
  - (iii) the creation and cancellation of units are carried out in accordance with the deed;
  - (iv) and any regulatory requirement

A handwritten signature in black ink, appearing to read 'Arifwar', is positioned above the name of the Chief Executive Officer.

Khawaja Arifwar Hussain  
Chief Executive Officer  
MCB Financial Services Limited

Karachi: August 2, 2017

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4th Floor, Perdesi House, 2/1, R-Y-16, Old Queens Road, Karachi - 74200  
Direct Nos. 021-32430485, 32415454, 32415204, 32428731 PABX No. 021-32419770, Fax No. 021-32416371  
Website: <http://www.mcbfsl.com.pk>

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Pakistan Cash Management to comply with the Code of Corporate Governance (the code) contained in regulation # 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

1. The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	<ol style="list-style-type: none"> <li>1. Dr. Syed Salman Ali Shah</li> <li>2. Mr. Haroun Rashid</li> <li>3. Mr. Mirza Qamar Beg</li> </ol>
Executive Directors	<ol style="list-style-type: none"> <li>1. Mr. Muhammad Saqib Saleem—Chief Executive Officer</li> </ol>
Non – Executive Directors	<ol style="list-style-type: none"> <li>1. Mian Mohammad Mansha-Chairman</li> <li>2. Mr. Ahmed Jehangir</li> <li>3. Mr. Samad Habib</li> <li>4. Mr. Nasim Beg – Vice Chairman</li> </ol>

The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

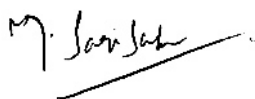
2. The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
3. All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFI or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Company.
5. The Company has prepared a 'Code of Conduct' and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
8. Out of the total eight meetings only one meeting of the Board was presided over by the chairman which was held on August 5, 2016. Five meetings were presided over by Mr. Nasim Beg and two meetings were presided by Dr. Syed Salman Ali Shah duly elected by the board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. During the year, one director Mr. Mirza Qamar Beg was included on the Board of Directors and is complied with the Director's Training Programme. All remaining directors on the board already possess the required training or are exempt on the basis of specified qualification and experience as required by the Code.
10. Company Secretary and Head of Internal Audit continued their services and there was no change in these positions during the year. The Chief Financial Officer was appointed during the year on February 02, 2017 and the board has approved the remuneration and terms and conditions of the employment of the CFO.
11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.

## STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

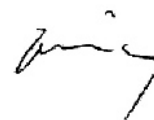
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12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee who is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and one is executive Director and the chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function, the members of which are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done in the board meeting held on August 04, 2017.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



**Muhammad Saqib Saleem**  
Chief Executive Officer  
Karachi: August 04, 2017



**Nasim Beg**  
Director / Vice Chairman

# REVIEW REPORT TO UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of Pakistan Cash Management Fund (the Fund), for the year ended 30 June 2017 to comply with the requirements of Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2017.

Chartered Accountants

Karachi

Date: 04 August 2017



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017

---



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

Tel: +9221 3565 0007-11  
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## INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Pakistan Cash Management Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2017**, and the related statements of income, comprehensive income, cash flows, distribution and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

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

#### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS  
FOR THE YEAR ENDED JUNE 30, 2017**

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-; 2 :-

***Opinion***

In our opinion, the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2017** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

***Other matter***

The financial statements for the year ended 30 June 2016 were audited by another firm of Chartered Accountants whose audit report, dated 05 August 2016, expressed an unqualified opinion thereon.

***REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS***

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

**Chartered Accountants**

**Audit Engagement Partner: Shabbir Yunus**

**Date: 04 August 2017**

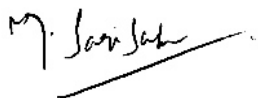
**Karachi**

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2017**

		June 30, 2017	June 30, 2016
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	6	362,099	756,620
Investments	7	289,584	1,274,258
Mark-up and other receivables	8	1,784	2,038
Advances and prepayments	9	383	224
<b>Total assets</b>		<b>653,850</b>	<b>2,033,140</b>
<b>LIABILITIES</b>			
Payable to the Management Company	10	1,156	932
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		9	-
Accrued and other liabilities	12	24,852	39,226
<b>Total liabilities</b>		<b>26,017</b>	<b>40,158</b>
<b>NET ASSETS</b>		<b>627,833</b>	<b>1,992,982</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>627,833</b>	<b>1,992,982</b>
<b>Contingencies and commitments</b>	13		
<b>----- (Number of units) -----</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>12,486,887</b>	<b>39,695,909</b>
<b>----- (Rupees) -----</b>			
<b>NET ASSETS VALUE PER UNIT</b>		<b>50.2794</b>	<b>50.2062</b>

The notes 1 to 21 form an integral part of these financial statements.

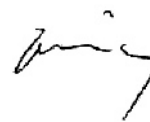
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



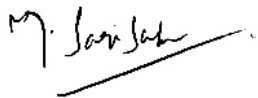
Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
<b>Income</b>			
Profit on bank deposits		21,481	9,571
Income from Government securities		63,948	74,744
Net unrealised (diminution) / appreciation in the value of investments		(11)	20
Net (loss) / gain on sale of investments		(246)	1,127
Other income		126	31
<b>Total income</b>		<b>85,298</b>	<b>85,493</b>
<b>Expenses</b>			
Remuneration of the Management Company		8,532	8,545
Sales tax and federal excise duty on remuneration of Management Company	15	1,109	2,755
Remuneration of the Trustee	10.2	68	-
Sales tax on trustee fee		2	-
Annual fee to SECP	11	9	-
Expenses allocated by Management Company and related taxes	5	1,594	597
Brokerage expenses		141	148
Auditors' remuneration		10	-
Legal and professional charges		9	-
Reversal of provision for Workers' Welfare Fund	12.1	(25,683)	-
<b>Total operating expenses</b>		<b>(14,209)</b>	<b>12,045</b>
<b>Net income from operating activities</b>		<b>99,507</b>	<b>73,448</b>
Element of loss and capital losses included in the prices of units sold less those in units redeemed			
- from realised / unrealised capital loss		(65,140)	(817)
- from other income / (loss)		388	(52,726)
		<b>(64,752)</b>	<b>(53,543)</b>
<b>Net income for the year before taxation</b>		<b>34,755</b>	<b>19,905</b>
Taxation	4.16	-	-
<b>Net income for the year after taxation</b>		<b>34,755</b>	<b>19,905</b>

The annexed notes from 1 to 21 form an integral part of these financial statements.

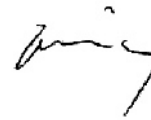
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

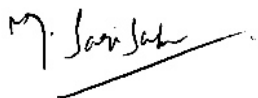


**STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Net income for the year after taxation	34,755	19,905
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<u><u>34,755</u></u>	<u><u>19,905</u></u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

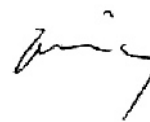
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



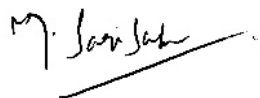
Director

# DISTRIBUTION STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
<b>Undistributed income brought forward comprises of:</b>		
- Realised income	4,974	4,289
- Unrealised income / (loss)	20	(77)
Undistributed income brought forward - net	4,994	4,212
<b>Final distribution:</b>		
- Cash distribution: for the year ended June 30, 2017 declared on June 22, 2017 of Rs.4.07 per unit	(33,812)	-
-Final cash distribution for the year ended June 30, 2016 distributed at Rs.2.89 per unit (Declared on June 22, 2016)	-	(17,526)
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(5,640)	(1,597)
Net income for the year	34,755 (4,697)	19,905 782
<b>Undistributed income carried forward</b>	<u>297</u>	<u>4,994</u>
<b>Undistributed income carried forward comprises of:</b>		
- Realised income	308	4,974
- Unrealised (loss) / income	(11)	20
	<u>297</u>	<u>4,994</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.

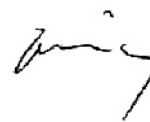
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



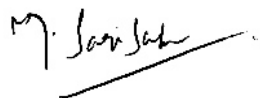
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND  
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016 -----
Net assets at the beginning of the year	1,992,982	1,442,250
Issue 82,459,591 units (2016: 91,222,263 units)	4,345,825	4,643,997
Redemption 109,668,613 units (2016: 80,287,158 units)	(5,776,669)	(4,149,187)
	(1,430,844)	494,810
Element of loss and capital losses included in prices of units sold less those in units redeemed		
- amount representing loss and capital losses - transferred to Income Statement		
- from realised / unrealised capital loss	65,140	817
- from other (income) / loss	(388)	52,726
- amount representing unrealised income and capital gains that forms part of the unit holders' fund transferred to distribution statement	5,640	1,597
	70,392	55,140
Net income for the year transferred from the distribution statement		
Capital (loss) / gain on sale of investments - net	(246)	1,127
Net unrealised (diminution) / appreciation on re-measurement of investments classified 'at fair value through profit or loss' - held-for-trading'	(11)	20
Other net income for the year	35,012	18,758
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	(5,640)	(1,597)
Distributions made during the year (refer distribution statement)	(33,812)	(17,526)
	(4,697)	782
<b>Net assets at the end of the year</b>	<b>627,833</b>	<b>1,992,982</b>
	----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>12,486,887</b>	<b>39,695,909</b>
	----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>	<b>50.2794</b>	<b>50.2062</b>

The notes 1 to 21 form an integral part of these financial statements.

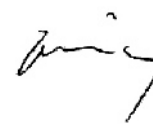
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



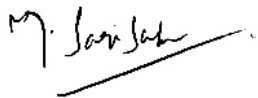
Director

# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2017

	June 30, 2017	June 30, 2016
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	34,755	19,905
<b>Adjustments for:</b>		
Net unrealised diminution / (appreciation) in the fair value of investments classified 'at fair value through profit or loss' - held-for-trading'	11	(20)
Element of loss and capital loss included in the prices of units sold less those in units redeemed:		
- from realised / unrealised capital loss	65,140	817
- from other (income) / loss	(388)	52,726
	99,518	73,428
<b>Decrease / (increase) in assets</b>		
Investments	1,129,115	(190,690)
Mark-up and other receivables	254	1,083
Advances and prepayments	(159)	(4)
	1,129,210	(189,611)
<b>Decrease in liabilities</b>		
Payable to the Management Company	224	(357)
Annual fee payable to SECP	9	-
Accrued and other liabilities	(14,374)	(749,870)
	(14,141)	(750,227)
<b>Net cash generated from / (used in) operating activities</b>	1,214,587	(866,410)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net receipts against issue of units	4,345,825	4,643,997
Net payments on redemption of units	(5,776,669)	(4,149,187)
Dividend paid	(33,812)	(17,526)
<b>Net cash (used in) / generated from financing activities</b>	(1,464,656)	477,284
Net decrease in cash and cash equivalents during the year	(250,069)	(389,126)
Cash and cash equivalents at beginning of the year	786,568	1,175,694
<b>Cash and cash equivalents at end of the year</b>	536,499	786,568

The annexed notes from 1 to 21 form an integral part of these financial statements.

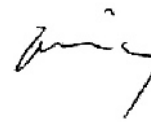
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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## **1. LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Pakistan Cash Management Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Habib Metropolitan Bank Limited as Trustee on February 08, 2008.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4** The Fund is categorised as "money market scheme" and is listed on the Pakistan Stock Exchange Limited. The Fund primarily invests in Market treasury bills, short term Government instruments and reverse repurchase transactions against government securities.
- 1.5** Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6** The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2++' dated June 23, 2017 to the Management Company.
- 1.7** Title to the assets of the Fund is held in the name of MCB Financial Services Limited as Trustee of the Fund.

## **2. STATEMENT OF COMPLIANCE**

### **2.1 Statement of compliance**

These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the NBFC rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

### **2.2 New Standards, Interpretations and Amendments**

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

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and

IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

### **Improvements to Accounting Standards Issued by the IASB in September 2014**

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

### **2.3 Standards, interpretations and amendments to approved accounting standards that are not yet effective**

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRS 17 - Insurance Contracts	January 01, 2021

### 3. BASIS OF PREPARATION

#### 3.1 Accounting convention

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

#### 3.2 Critical accounting estimates and judgments

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.6 respectively.

#### 3.3 Functional and presentation currency

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

### 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 4.1 Financial assets

The Fund classifies its financial assets in the following categories:

- financial assets 'at fair value through profit or loss' - held-for-trading;
- available-for-sale investments; and
- loans and receivables.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

**a) Financial assets 'at fair value through profit or loss' - held-for-trading**

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

**b) Available-for-sale**

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

**c) Loans and receivables**

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

### **4.2 Regular way contracts**

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

### **4.3 Initial recognition and measurement**

**a) Financial assets 'at fair value through profit or loss' - held-for-trading**

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

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

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

### **4.4 Subsequent measurement**

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

**a) Debt securities**

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



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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### **b) Government securities**

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

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

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

### **c) Loans and receivables**

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

### **4.5 Securities under repurchase / resale agreements**

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

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

### **4.6 Impairment of financial assets**

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

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

### **4.7 Derivatives**

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

### **4.8 Derecognition**

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

### **4.9 Offsetting of financial assets and liabilities**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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### **4.10 Financial liabilities**

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

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

### **4.11 Issue and redemption of units**

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

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

### **4.12 Element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed**

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

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units sold and redeemed during an accounting period which pertains to unrealized gains / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement.

### **4.13 Proposed distributions**

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

### **4.14 Provisions**

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

### **4.15 Earnings per unit**

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

### **4.16 Taxation**

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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### 4.17 Revenue recognition

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

### 4.18 Expenses

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

### 4.19 Cash and cash equivalents

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

### 4.20 Other assets

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

### 4.21 Foreign currency translation

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

### 4.22 Net asset value per unit

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

## 5. REIMBURSEMENT OF EXPENSES TO THE MANAGEMENT COMPANY

SECP has introduced "expense ratio" vide amendments in the NBFC Regulations dated November 25, 2015, whereby, the total expense ratio of an money market scheme shall be capped at 2% of average daily net assets value of the scheme. The regulation further states that for the purpose of expense ratio, expenses incurred in relation to any government levy on funds such as sales tax, federal excise duty, SECP fee, etc. shall be excluded while calculating expense ratio. Furthermore, under the NBFC Regulation 60(3)(s), the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar services, accounting, operations and valuation services related to that CIS, the maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less. Accordingly, this represents the amount payable to the Management Company to maintain the expense ratio of the Fund within the prescribed limits. The total expense ratio of the Fund is 0.86% which includes 0.14% representing government levies and SECP fee.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

June 30, 2017      June 30, 2016  
Note      ----- (Rupees in '000) -----

## 6. BALANCES WITH BANKS

Deposit accounts

6.1      362,099      756,620

6.1 These carry mark-up at rates ranging between 3.75% to 6.18% per annum (2016: 3.75% to 6.25% per annum) and include balance of Rs.6,499 million (2016: Rs.39,305 million) with MCB Bank Limited (a related party).

## 7. INVESTMENTS

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

Market treasury bills

7.1.1      289,584      1,274,258

#### 7.1.1 Market treasury bills - 'at fair value through profit or loss' - held-for-trading

	Face value			As at 30 June 2017			Market value		
	As at July 01, 2016	Purchased during the year	Sales / matured during the year	As at June 30, 2017	Carrying value	Market value	Appreciation/ (diminution)	As a percentage of net assets	As a percentage of total investments
Note									%
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7.1.1.1 These will mature latest by August 03, 2017 (2016: August 04, 2016) and carry effective yield at the rates ranging from 5.93% to 5.98% per annum (2016: 6.19% to 6.23%).

7.1.1.2 These will mature latest by August 17, 2017 (2016: Nil) and carry effective yield at the rate of 5.93% to 5.99% per annum (2016: Nil).

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
<b>8. MARK-UP AND OTHER RECEIVABLES</b>			
Mark-up on bank deposits		1,603	1,847
Receivable from management company		<u>181</u>	<u>191</u>
		<u><u>1,784</u></u>	<u><u>2,038</u></u>
<b>9. ADVANCES AND PREPAYMENTS</b>			
Advance tax		249	224
Prepaid stability rating fee - PACRA		<u>134</u>	<u>-</u>
		<u><u>383</u></u>	<u><u>224</u></u>
<b>10. PAYABLE TO THE MANAGEMENT COMPANY</b>			
Remuneration payable	10.1	719	717
Sales tax on management fee		93	100
Trustee fee	10.3	68	-
Audit fee		9	-
Rating Fee		141	-
Legal fee		1	-
Listing Fee		1	-
Settlement Charges		2	-
Expenses payable to Management Company and related taxes		<u>122</u>	<u>115</u>
		<u><u>1,156</u></u>	<u><u>932</u></u>

**10.1** Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter two percent of such assets of the Fund. In the current year, the management fees is being calculated on the lower of 10% of the Fund's operating revenue or 1% of average daily net assets subject to minimum fee of 0.25% (2016: 0.25%) of average daily net assets.

**10.2** The Trustee, MCB Financial Services Limited is entitled to a monthly remuneration of 1% for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily gross earnings value of the fund.

**10.3** During the period SECP vide letter # SCD/AMCW/MCBAHSIL/ PCF/475 /2017 dated March 17, 2017 approved the amendment made in the offering document, thereby all the expenses duly referred in offering documents which was previously borne by the Asset Management Company shall now be borne by the Fund with effective from 22 June 2017. All the prepaid expenses for the period from 22 June 2017 to 30 June 2017 already paid by the Asset Management Company on behalf of Fund shall be reimbursed to the Asset Management Company.

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

This represents annual fee to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.075% (2016: 0.075%) of the average daily net assets of the Fund.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
<b>12. ACCRUED AND OTHER LIABILITIES</b>			
Provision for Workers' Welfare Fund	12.1	1,197	26,880
Federal excise duty payable on management fee	14	11,933	11,933
Withholding tax payable		11,404	196
Brokerage payable		42	46
Others		276	171
		<u>24,852</u>	<u>39,226</u>

### 12.1 Provision for Workers' Welfare Fund

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs.0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan (SCP).

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 01, 2015.

On November 10, 2016 SCP has passed a judgment declaring the amendments made in the Finance Acts, 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could; therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, MUFAP (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

Furthermore, 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.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

i. based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and

ii. the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

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

### 13. CONTINGENCIES AND COMMITMENTS

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

### 14. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

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

The Sindh High Court in its decision dated July 16, 2016 maintained the previous order passed against other constitutional petition whereby levy of FED is declared to be 'Ultra Vires' the Constitution. The management is however of the view that since the Federal government still has the right to appeal against the order, the previous balance of FED can not be reversed.

On June 30, 2016 the SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made for the period from June 13, 2013 till June 30, 2017 amounting to Rs.11.93 million (2016: Rs.11.93 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said 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.0.95 per unit (2016: Re.0.30).

### 15. CASH AND CASH EQUIVALENTS

	Note	June 30, 2017 ---- (Rupees in '000) ----	June 30, 2016
Balances with banks		362,099	756,620
Market treasury bills maturing within 3 months	7.1.1	174,400	29,948
		<u>536,499</u>	<u>786,568</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

## 16. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings.

The transactions with connected persons are in the normal course of business.

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

### 16.1 Details of transactions with connected persons are as follows:

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
<b>MCB Arif Habib Savings and Investment Limited - Management Company</b>		
Remuneration including indirect taxes	9,641	11,300
Expense allocated by Management Company and related sales tax	1,594	597
<b>MCB Bank Limited</b>		
Profit on bank deposits	353	1,093
Purchase of securities face value 300,000,000 (2016: Nil)	297,980	-
Sale of securities face value 1,141,000,000 (2016: Nil)	2,182,425	-
<b>Silk Bank Limited</b>		
Purchase of securities face value 1,736,000,000 (2016: Nil)	1,721,090	-
<b>Next Capital Limited *</b>		
Brokerage	1	816
<b>Arif Habib Limited *</b>		
Brokerage	17	361
<b>Arif Habib Dolmen REIT Management Limited</b>		
Issuance of 129 units (2016: 88 units)	6	4
Dividend paid	6	6
<b>MCB Financial Services Limited - Trustee</b>		
Remuneration of the Trustee	68	-
<b>Adamjee Life Assurance Company Limited</b>		
Issuance of Nil units (2016: 380,044 units)	-	20,000
Redemption of Nil units (2016: 380,044 units )	-	20,027
<b>Adamjee Life Assurance Company Limited - ISF</b>		
Issuance of Nil units (2016: 380,044 units)	-	35,000
Redemption of Nil units (2016: 668,390 units )	-	35,221
<b>Adamjee Insurance Company Limited</b>		
Issuance of 1,865,091 units (2016: Nil)	100,000	-
Redemption of 1,865,091 units (2016: Nil)	100,404	-
<b>Key Management Personnel</b>		
Issuance of 105,926 units (2016: Nil)	5,434	-
Redemption of 92,737 units (2016: 458 units)	4,979	24
Dividend paid	45	-
<b>Mandate Under Discretionary Portfolio Services</b>		
Issuance of 384,750 units (2016: 104,511 units)	19,351	5,500
Redemption of 238,340 units (2016: 104,511 units)	12,000	5,507
Dividend paid	851	-



## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 16.2 Balances outstanding at the year end are as follows:

<b>MCB Bank Limited</b>		
Balance with bank	6,499	39,305
Profit receivable on bank deposits	96	423
<b>MCB Arif Habib Savings and Investment Limited - Management Company</b>		
Remuneration payable	719	717
Sales tax on management fee	93	100
Trustee fee	68	-
Audit fee	9	-
Rating Fee	141	-
Legal fee	1	-
Listing Fee	1	-
Settlement Charges	2	-
Expenses payable to Management Company and related taxes	122	115
Receivable against bank charges	-	191
<b>Arif Habib Dolmen REIT Management Limited</b>		
2,250 units held (2016: 2,121 units)	113	106
<b>Mandate Under Discretionary Portfolio Services</b>		
146,410 units held (2016: Nil)	7,361	-
<b>Key management personnel</b>		
13,189 units held (2016: Nil)	663	-
<b>Unit holders holding 10% or more units</b>		
<b>** Fauji oil terminal &amp; distribution company limited</b>		
Units in issue 3,044,628 (2016: Nil)	153,082	-
<b>** ISOI employees provident fund</b>		
Units in issue 2,414,353 (2016: Nil)	121,392	-
<b>** CDC trustee company limited</b>		
Units in issue 1,231,112 (2016: Nil)	61,900	-

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

\*\* Unit holding as at June 30, 2016 is less than 10%.

### 17. FINANCIAL RISK MANAGEMENT

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

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

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

#### 17.1 Market risk

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

### 17.1.1 Currency risk

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

### 17.1.2 Interest rate risk

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

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

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
<b>Fixed rate instruments</b>		
Market treasury bills	<u>289,584</u>	<u>1,274,258</u>

#### a) Sensitivity analysis for variable rate instruments

As at June 30, 2017, the Fund does not hold any variable rate instruments and is not exposed to cash flow interest rate risk.

#### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2017, the Fund holds Market treasury bills which are classified 'at fair value through profit or loss' - held-for-trading, exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2017, the net income for the year and net assets would be lower by Rs.0.24 million (2016: Rs.0.003 million). In case of 100 basis points decrease in rates announced by the Financial Market Association on June 30, 2017, the net income for the year and net assets would be higher by Rs.0.24 million (2016: Rs.0.003 million).

The composition of the Fund's investment portfolio and rates announced by the FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

June 30, 2017						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	Total	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	3.75 to 6.18	362,099	-	-	-	362,099
Investments classified:						
'At fair value through profit or loss'						
- held-for-trading	5.93 to 5.98	174,400	115,184	-	-	289,584
Mark-up and other receivables		1,603	-	-	181	1,784
		538,102	115,184	-	181	653,467
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	1,054	1,054
Accrued and other liabilities		-	-	-	318	318
		-	-	-	1,372	1,372
<b>On-balance sheet gap</b>		538,102	115,184	-	(1,191)	652,095

June 30, 2016						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	Upto three months	More than three months and upto one year	More than one year	Not exposed to yield / interest risk	Total	
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Balances with banks	3.75 to 6.25	756,620	-	-	-	756,620
Investments classified:						
'At fair value through profit or loss'						
- held-for-trading	6.19 to 6.23	29,948	1,244,310	-	-	1,274,258
Mark-up and other receivables		1,847	-	-	191	2,038
		788,415	1,244,310	-	191	2,032,916
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	832	832
Accrued and other liabilities		-	-	-	217	217
		-	-	-	1,049	1,049
<b>On-balance sheet gap</b>		788,415	1,244,310	-	(858)	2,031,867

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

### 17.1.3 Other price risk

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

### 17.2 Credit Risk

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

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2017 and June 30, 2016 is the carrying amounts of following financial assets.

	June 30, 2017	June 30, 2016
	(Rupees in '000)	
Balances with banks	362,099	756,620
Investments	289,584	1,274,258
Mark-up and other receivables	1,784	2,038
	653,467	2,032,916

None of the financial assets were considered to be past due or impaired as on June 30, 2017.

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

Bank balances by rating category	Rating Long-term / short-term	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016 -----
<b>Deposit accounts</b>			
Habib Metropolitan Bank Limited	AA+/A1+	<b>1,479</b>	28,418
MCB Bank Limited	AAA/A1+	<b>6,499</b>	39,305
Allied Bank Limited	AA/A1+	<b>351,222</b>	186,282
Bank Alfalah Limited	AA+/A1+	<b>1,914</b>	502,615
Zarai Taraqiati Bank Limited	AAA/A1+	<b>973</b>	-
United Bank Limited	AAA/A1+	<b>5</b>	-
Bank Al-Habib Limited	AAA/A1+	<b>7</b>	-
		<b>362,099</b>	756,620
		<b>362,099</b>	756,620

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

### **Investment in fixed income securities**

Investment in market treasury bills do not expose the Fund to credit risk as the counter party to the investment is the Government of Pakistan and management does not expect to incur any credit loss on such investments.

### **Concentration of credit risk**

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

All of the Fund's concentration of credit risk at the end of financial year 2017 and 2016 are with commercial banks.

### **Settlement risk**

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

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

## **17.3 Liquidity risk**

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

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue.

The liquidity position of the Fund is monitored by Fund Manager and Risk and Compliance Department on daily basis.

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

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

As at June 30, 2017				
Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year	
----- (Rupees in '000) -----				
<b>Liabilities</b>				
Payable to the Management Company	1,054	1,054	-	-
Accrued and other liabilities	318	42	276	-
	<u>1,372</u>	<u>1,096</u>	<u>276</u>	<u>-</u>
As at June 30, 2016				
Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year	
----- (Rupees in '000) -----				
<b>Liabilities</b>				
Payable to the Management Company	832	832	-	-
Accrued and other liabilities	217	46	171	-
	<u>1,049</u>	<u>878</u>	<u>171</u>	<u>-</u>

Units of the Fund are redeemable on demand at the holder's option, however, the Fund does not anticipate significant redemption of units.

### 17.4 Financial instruments by category

As at June 30, 2017, all the financial assets are 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 - held for trading'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss - held for trading'.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

As at June 30, 2017

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

As at June 30, 2017

	At fair value through profit or loss' - held-for- trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	1,054	1,054
Accrued and other liabilities	-	318	318
	<u>-</u>	<u>1,372</u>	<u>1,372</u>

As at June 30, 2016

	Loans and receivables	At fair value through profit or loss' - held-for- trading	Available-for- sale	Total
	----- (Rupees in '000) -----			
<b>Assets</b>				
Balances with banks	756,620	-	-	756,620
Investment	-	1,274,258	-	1,274,258
Mark-up and other receivables	2,038	-	-	2,038
	<u>758,658</u>	<u>1,274,258</u>	<u>-</u>	<u>2,032,916</u>

As at June 30, 2016

	At fair value through profit or loss' - held-for- trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	832	832
Accrued and other liabilities	-	217	217
	<u>-</u>	<u>1,049</u>	<u>1,049</u>





# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

## 18. UNIT HOLDERS'S FUND RISK MANAGEMENT

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

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

## 19. SUPPLEMENTARY NON FINANCIAL INFORMATION

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

### 19.1 Pattern of unit holding

#### Details of pattern of unit holding

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

#### Details of pattern of unit holding

	As at June 30, 2016			
	Number of unit holders	Number of unit holders	Investment Amount	Percentage Investment
	----- (Rupees in '000) -----			
Individuals	228	5,415,608	271,897	13.64%
Associated companies	2	1,184,592	59,474	2.98%
Insurance companies	2	1,182,655	59,377	2.98%
Retirement funds	15	4,470,339	224,439	11.26%
Public limited companies	1	12,301	618	0.03%
Others	16	27,430,414	1,377,177	69.11%
	<b>264</b>	<b>39,695,909</b>	<b>1,992,982</b>	<b>100.00%</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

	<b>June 30, 2017 Percentage</b>
1 Invest Capital Markets Limited	16.46%
2 Optimus Market (Private) Limited	14.97%
3 Arif Habib Limited	13.42%
4 EFG Hermes Pakistan Limited	11.97%
5 Vector Capital (Private) Limited	8.45%
6 C and M Management (Private) Limited	6.97%
7 Currency Market Associates (Private) Limited	5.15%
8 BMA Capital Management Limited	3.90%
9 Magneta Capital (Private) Limited	3.71%
10 Summit Capital Private Limited	3.12%
	<b>June 30, 2016 Percentage</b>
1 Invest Capital Markets Limited	21.65%
2 BMA Capital Management Limited	15.37%
3 Vector Capital (Private) Limited	11.33%
4 Magenta Capital (Private) Limited	8.44%
5 Global Securities Pakistan Limited	8.23%
6 First Capital Securities Limited	6.87%
7 Invest One Markets (Private) Limited	5.63%
8 Next Capital Limited	5.50%
9 Invest And Finance Securities Limited	4.46%
10 Currency Market Associates (Private) Limited	3.69%

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

During the year, 126th, 127th, 128th, 129th, 130th, 131st, 132nd, and 133rd Board meetings were held on July 12, 2016, August 05, 2016, August 15, 2016, October 21, 2016, February 02, 2017, March 20, 2017, April 21, 2017 and May 12, 2017 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Mian Muhammad Mansha	8	1	7	126th, 128th, 129th, 130th, 131st, 132nd, 133rd
Nasim Beg	8	6	2	127th, 130th
Muhammad Saqib Saleem	8	8	-	-
Salman Shah	8	7	1	126th
Haroon Rashid	8	2	6	126th, 127th, 128th, 130th, 131st, 132nd

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

	Number of meetings			Meeting not attended
	Held	Attended	Leave granted	
Ahmed Jahangir	8	8	-	-
Samad A. Habib	8	5	3	128th, 129th, 131st
Mirza Mehmood	8	1	4	130th, 131st, 132nd, 133rd
Mirza Qamar Beg	8	3	-	-

**19.4 Particulars of investment committee and fund manager**

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

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	20
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	14
Mr. Saad Ahmed	Portfolio Manager – Fixed Income	MBA	12
Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income Fund	MA, CFA Level I	13
Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	6

**19.5 Other funds managed by the fund manager**

**Mr. Saad Ahmed**

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

- MCB DCF Income Fund;
- MCB Pakistan Sovereign Fund;
- MCB Cash Management Optimizer; and
- Pakistan Income Enhancement Fund

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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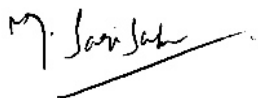
**20. GENERAL**

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**21. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on August 04, 2017 by the Board of Directors of the Management Company.

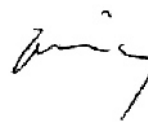
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE  
FOR THE YEAR ENDED JUNE 30, 2017**

Category	No.of Unit Holders	Units
<b>Associated Companies, undertakings and related Parties</b>		
CDC-TRUSTEE COMPANY LIMITED	1	1,231,112
ARIF HABIB DOLMEN REIT MANAGEMENT LIMITED	1	2,250
<b>Mutual Funds</b>	-	-
<b>Directors and their spouse (s) and minor children</b>	-	-
<b>Executives</b>	1	13,188.94
<b>Public sector companies and corporations</b>	-	-
<b>Banks, Development Finance Institutiots, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds</b>	15	4,612,983
<b>Unitholders holding 5 percent or more Voting interest in the listed company</b>		
FAUJI OIL TERMINAL & DISTRIBUTION CO. LIMITED	1	3,044,628.37
ISOI EMPLOYEE'S PROVIDENT FUND	1	2,414,353.11
<b>Others</b>	194	1,168,372
	<b>214</b>	<b>12,486,887</b>



**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2017**

<b>No. of Unit Holder</b>	<b>Unit holdings</b>	<b>Total Units Held</b>
138	1-10000	231,935
59	10001-100000	1,611,707
16	100001-1000000	7,598,617
1	1000001 onwards	3,044,628
<b>214</b>		<b>12,486,887</b>

# PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2017

Performance Information	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	628	1,993	1,442	3,148
Net Assets value per unit – Rupees	50.2794	50.2062	50.1464	50.0125
Closing Offer Price	50.2794	50.1993	50.1532	50.0000
Closing Repurchase Price	50.2794	50.2062	50.1464	50.0125
Highest offer price per unit	53.8342	52.9990	54.2859	50.3806
Lowest offer price per unit	50.2136	50.1464	50.0233	50.0000
Highest Redemption price per unit	53.8342	52.9990	54.2859	50.3806
Lowest Redemption price per unit	50.2136	50.1464	50.0233	50.0000
Distribution per unit – Rs. *	4.0700	2.8900	4.2900	3.6500
<b>Average Annual Return - %</b>				
One year	8.34	5.88	8.86	8.41
Two year	7.11	7.37	8.64	8.71
Three year	7.69	7.72	8.76	9.48
Net Income for the year – Rs. in million	34.755	19.91	38.89	266.56
Distribution made during the year – Rs. in million	33.812	17.53	35.05	237.90
Accumulated Capital Growth – Rs. in million	0.943	2.38	3.85	28.67
Weighted average Portfolio Duration (days)	14	18	33	14

**\* Date of Distribution**

2017	
Date	Rate
June 22, 2017	4.07

2015	
Date	Rate
June 24, 2015	4.2900

2016	
Date	Rate
June 22, 2016	2.8900

2013	
Date	Rate
July 25, 2012	0.3580
August 25, 2012	0.4994
September 25, 2012	0.3836
October 25, 2012	0.4001
November 25, 2012	0.3226
December 25, 2012	0.3338
January 25, 2013	0.3440
February 25, 2013	0.3277
March 25, 2013	0.3054
April 25, 2013	0.3369
May 25, 2013	0.3288

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

**Disclaimer**

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

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

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