



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

# ANNUAL REPORT 2021

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



# **MCB PAKISTAN STOCK MARKET FUND**

## TABLE OF CONTENTS

---

---

1	Fund's Information	319
2	Report of the Director of the Management Company	320
3	Report of the Fund Manager	331
4	Trustee Report to the Unit Holders	333
5	Independent Auditor's Report to the Unit Holders	334
6	Statement of Assets and Liabilities	338
7	Income Statement	339
8	Statement of Other Comprehensive Income	340
9	Statement of Movement in Unit Holder's Fund	341
10	Cash Flow Statement	342
11	Notes to and Forming Part of the Financial Statements	343
12	Pattern of Units Holding by Size	368
13	Performance Table	369
14	Proxy issued by fund	370

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Faisal Ahmad	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Silk Bank Limited Bank Al Habib Limited Habib Bank Limited Allied Bank Limited Bank Alfalah Limited Habib Metropolitan Bank Limited Standard Chartered Bank Limited United Bank Limited JS Bank Limited National Bank Of Pakistan	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes</b> Chartered Accountants Progressive Plaza, Beaumont Road, P.O.Box 15541 Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM1</b> Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

---

---

**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present **MCB Pakistan Stock Market Fund** accounts review for the year ended **June 30, 2021**.

## **Economy and Money Market Review**

Fiscal year 2021 has proven to be a positive year with respect to economic performance. Country registered a GDP growth rate of 3.94 per cent outpacing the original target of 2.1 per cent for the outgoing fiscal year. This better than expected recovery has been due to relatively lower and stable interest rates, supportive financing schemes from SBP, amnesty scheme to encourage construction sector, resumption in demand and strong inflow of remittances supporting the overall consumption growth.

The growth momentum remained strong throughout the year as reflected in the performance of various sectors. Cement sector saw an impressive comeback in local dispatches as they witnessed a growth of about 20 per cent over last year in FY21. Sales of 2 and 3 wheeler units also rose at an impressive rate of approx. 39 per cent over last year in FY21 reflecting the resilience of economy. Similarly, the demand of petrol and diesel also increased by about 12 per cent and 16 per cent respectively over last year indicating a broader recovery in economy. Overall, Large Scale Manufacturing Index (LSM) has grown by about 14.6 per cent in first eleven months of the current fiscal year led by the cyclical sectors.

On the external front, the country posted a current account deficit of USD 1.8 billion (-0.6 per cent of GDP) in the fiscal year 2021, a 58 per cent improvement when compared with last year deficit of USD 4.4 billion (-1.7 per cent of GDP). Despite a USD 30 billion deficit (about 23 per cent higher this year) on balance on trade in goods and services, current account deficit remained marginally negative due to strong inflow of workers' remittances. Remittances jumped to USD 29.4 billion, up by 27 per cent when compared with USD 23.1 billion a year back.

Inflation remained the chink in the armor for the government as rising food prices continued to create challenges for policy makers. Headline inflation represented by CPI averaged 8.9 per cent over last year, with food inflation averaging about 13 per cent during the period. The prices of perishable food items along with the price of wheat continued to advance higher as supply side disruptions and mismanagement caused the prices to soar. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 6.4 per cent for the period. Monetary Policy Committee maintained status quo throughout the year after successive cuts in previous meetings. While real interest rates remained negative, the central bank was cautious with regards to demand side pressures owing to Covid-19 as well as comfort drawn from better external position.

As the economy started to open up, tax collection also improved and grew by about 18 per cent during the fiscal year which exceeded the revised target by PKR 30 billion. Fiscal deficit for the first nine months of the period clocked in at 3.6 per cent of GDP, compared to 3.8 per cent of GDP last year. Primary balance was even better at a surplus of 1.0 per cent of GDP compared to last year surplus of 0.4 per cent of GDP.

Yield curve started to slope upward after inflation trajectory was observed to be on the rising trend. 3, 5 and 10 Year bonds saw a rise of 146 bps, 138 bps and 125 bps respectively during the period.

## **Equity Market Review**

KSE-100 Index posted a 38 per cent return for FY21, gaining 12,934 points to end the year at 47,356 points. This was the highest yearly return since FY14, when index achieved 41 per cent return during the year. Market's resilience during the year was tested by re-emergence of covid wave II (October 2020) and III (February 2021), political unrest caused by opposition rallies and senate election. However, stronger than expected economic recovery and central bank's initiatives (TERF, RDA and mandatory housing financing by banks) kept the positive momentum of the market intact.

Major positive contributors to the index remained Technology (385 per cent), Banks (36 per cent) and Cements (77 per cent) whereas despite 83 per cent jump in crude oil prices, index heavy E&Ps remained a laggard with 11 per cent return. Market remained fairly liquid through the year with average daily traded volume jumped by 169

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

---

---

per cent to 528mn shares compared to 196mn shares changing hands in FY20. Whereas average value traded also jumped by 163 per cent YoY to USD 120mn compared to USD 46mn a year back.

Foreign investors continued their selling spree in FY21 as well with net selling of USD 387mn compared to USD 285mn a year back. Whereas most of this selling was countered by individuals and companies with net buying of USD 332mn and USD 138mn, respectively.

### FUND PERFORMANCE

During the period, PSM generated a return of 33.85 per cent as compared to a return of 37.58 per cent witnessed by the KSE100 Index. Overall equity exposure stood at 93.3 per cent on June 30, 2021. The fund remained vigilant of the external factors and the investment strategy was maneuvered considering the fundamental developments. The allocation was mainly held in Commercial Banks, Cement and Oil & Gas Exploration Companies.

The Net Assets of the fund as at June 30, 2021 stood at Rs. 12,397 million as compared to Rs. 8,804 million as at June 30, 2020 registering an increase of 40.81 per cent.

The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 103.6294 as compared to opening NAV of Rs. 77.4230 per unit as at June 30, 2020 registering an increase of 26.2064 per unit.

SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. On August 13, 2021, the management, in consultation with MUFAP and after concurrence for prospective reversal of provision of SWWF from SECP, reversed the cumulative provision for SWWF recognized in the fund for the period from May 21, 2015 to August 12, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the fund. This reversal of provision has contributed towards an unusual increase in NAV of the Fund on August 13, 2021. This is one-off event and is not likely to be repeated in the future. For further details, refer note 12.1 to the financial statements.

### Economy & Market – Future Outlook

Growth momentum is likely to continue in the coming year given the accommodative monetary and fiscal policies. Broader economy appears to be operating close to pre-covid levels gauged by LSM growth, cement sales, auto sales, etc. We expect GDP growth to improve further in FY-22 but likely remain slightly lower from government target of 4.8 per cent for FY-22. The recent surge in commodity prices poses challenges to both to Fiscal and External Accounts. On the fiscal side, targets for revenue and development expenditures are highly unlikely to be met.

With imports resuming momentum, Current Account Deficit is expected to reach near 2.8 per cent of GDP which is likely to weaken the exchange rate to near 170 against USD by year end. Commodity prices and weaker currency are also likely to keep average inflation persistent and it may remain near 8.5 per cent. We therefore expect tightening of monetary policy later in the year and expect interest to reach up to 9 per cent by the year end.

IMF program appears to remain on hold as government chooses to further pro-growth measures over austerity based conventional IMF reforms. Focus on growing exports and stimulate domestic demand through investment in construction and housing are the hallmarks of government pro-growth strategy. Enabling environment including stable interest rates, low cost financing schemes for housing and machinery imports and avoiding further increase in power tariffs are the key initiatives in this regard. Public Sector entities and in particular energy sector still remains a thorny issue in IMF talks and continue to remain a major challenge for the government despite recent steps taken to lessen the burden on public finances. A sharp deterioration in balance of payment account may force government to succumb to IMF policy framework and thus alter the economic growth trajectory.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

From capital market perspective, particularly equities, markets are watchful of the 4<sup>th</sup> wave of Covid cases which do pose risks in the near term. As growth momentum continues, equities have potential to provide decent returns to investors. Risk premiums vis a vis 10-year bonds is right now at 3.6 per cent, compared to historical average of 1.3 per cent suggesting some upside due to re-rating would be possible. Earnings growth will be a key driver for the next few years. We therefore expect stronger returns from equity market to continue. Recent announcement about reclassification of PSX from MSCI Emerging Market Index to MSCI Frontier Market Index is to remain marginally positive thus local investors are likely to drive the market momentum.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, government bonds have priced in the anticipated yield curve. We remain cautious at the current levels of bond yields and would continue to monitor the data points to capitalize on opportunities.

### Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With four (4) Non-Executive Directors, three (3) Independent Directors and one (1) Executive Director on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. The Board consists of 1 female and 7 male directors. The details are as under:

Sr. No.	Name	Status	Membership in other Board Committees
1.	Mr. Haroun Rashid	Non-Executive Director	None
2.	Mr. Nasim Beg	Non-Executive Director	(i) Audit Committee; and (ii) HR&R* Committee
3.	Mr. Ahmed Jahangir	Non-Executive Director	(i) Audit Committee; and (ii) HR&R* Committee.
4.	Mr. Kashif A. Habib	Non-Executive Director	(i) Audit Committee
5.	Syed Savail Meekal Hussain	Independent Director	(i) Audit Committee (ii) HR&R* Committee
6.	Mirza Qamar Beg	Independent Director	(i) Audit Committee (Chairman); and (ii) HR&R* Committee (Chairman).
7.	Ms. Mavra Adil Khan	Independent Director	(i) HR&R* Committee
8.	Mr. Muhammad Saqib Saleem	Executive Director	(i) HR&R* Committee

\* HR&R stands for Human Resource and Remuneration

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 Board of Directors is pleased to report that:

- 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.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2021

- d. International Financial Reporting Standards, as applicable in Pakistan , provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts what so ever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2021, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2021:

### 1. Meeting of the Audit Committee.

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

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mirza Qamar Beg(Chairman)	9	9	9	-
2. Mr. Nasim Beg	9	9	9	-
3. Mr. Ahmed Jahangir	9	9	9	-
4. Mr. Kashif A. Habib	9	9	9	-
5. Syed Savail Meekal Hussain	9	9	9	-

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

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

**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY  
FOR THE YEAR ENDED JUNE 30, 2021**

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mirza Qamar Beg (chairman)	4	4	4	-
2. Mr. Ahmed Jahangir	4	4	4	-
3. Mr. Nasim Beg	4	4	4	-
4. Ms. Mavra Adil Khan	4	4	3	1
5. Syed Savail Meekal Hussain	4	4	4	-
6. Mr. Muhammad Saqib Saleem (CEO)	4	4	4	-

- m. 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	1,959	1,959	-
2	Muhammad Asif Mehdi Rizvi	Chief Operating & Financial Officer	2,109	651	-
3	Mobin Ahmed Siddiqui	Chief Internal Auditor	6,075	6,075	-

**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, 2022. 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, 2022.

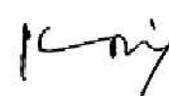
**ACKNOWLEDGMENT**

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

On behalf of Directors,



**Muhammad Saqib Saleem**  
Chief Executive Officer  
September 15, 2021



**Kashif A. Habib**  
Director

## ڈائریکٹرز رپورٹ

ڈیویڈنڈ کی تقسیم	واپسی	سرمایہ کاری	عہدہ	نام	نمبر شمار
پونٹس کی تعداد					
-	1,959	1,959	چیف ایگزیکٹو آفیسر	محمد ثاقب سلیم	۱
-	651	2,109	چیف آپریٹنگ اینڈ فنانسشل آفیسر	محمد آصف مہدی رضوی	۲
-	6,075	6,075	چیف انٹرنل آڈیٹر	مبین احمد صدیقی	۳

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز Ernst & Young Ford Rhodes چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر جاری رہنے کی رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے Ernst & Young Ford Rhodes چارٹرڈ اکاؤنٹنٹس کی فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر دوبارہ تقرری کی سفارش پیش کی ہے۔

### اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے قابل قدر سرمایہ کاروں، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے ٹرسٹیوں کی مسلسل معاونت اور حمایت کے لیے شکر گزار ہے۔ ڈائریکٹرز انتظامیہ ٹیم کی کاوشوں کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز



کاشف اے حبیب  
ڈائریکٹر



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
15 ستمبر 2021ء

## ڈائریکٹرز رپورٹ

j. 30 جون 2021ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر عمل پیرا ہے۔  
k. این بی ایف سی ریگولیشنز کے مطابق مطلوب پونٹ ہولڈنگ کا تفصیلی خاکہ منسلک ہے۔

۱. بورڈ آف ڈائریکٹرز میٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کر دی گئی ہیں۔ سال مختتمہ 30 جون 2021ء کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

### ۱۔ آڈٹ کمیٹی کی میٹنگ

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

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	9	9	9	۲۔ مرزا محمد قمر بیگ (چیئرمین)
-	9	9	9	۳۔ جناب نسیم بیگ
-	9	9	9	۴۔ جناب احمد جہانگیر
-	9	9	9	۵۔ جناب کاشف اے حبیب
-	9	9	9	۶۔ سید ساویل میکان حسین

### ۲۔ ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی چار (4) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	4	4	4	۱۔ جناب مرزا قمر بیگ (چیئرمین)
-	4	4	4	۳۔ جناب احمد جہانگیر
-	4	4	4	۴۔ جناب نسیم بیگ
1	3	4	4	۵۔ محترمہ ماوراء عادل خان
-	4	4	4	۶۔ سید ساویل میکان حسین
-	4	4	4	۷۔ جناب محمد ثاقب سلیم (سی ای او)

m. دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریننگ آفیسر، چیف فنانس آفیسر، کمپنی سیکریٹری، اور چیف انٹرنل آڈیٹر اور ان کی اہلیہ/شوہر اور نابالغ بچوں نے فنڈ کے نوٹس میں تجارت کی۔

## ڈائریکٹرز رپورٹ

نمبر شمار	نام	عہدہ	دیگر بورڈ کمیٹیوں میں رکنیت
1.	جناب ہارون راشد	نان ایگزیکٹو ڈائریکٹر	کوئی نہیں
2.	جناب نسیم بیگ	نان ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
3.	جناب احمد جہانگیر	نان ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
4.	جناب کاشف اے حبیب	نان ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی
5.	سید ساویل میکال حسین	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
6.	جناب مرزا قمر بیگ	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی (چیئر مین)؛ اور (ii) ایچ آر اینڈ آر کمیٹی* (چیئر مین)
7.	محترمہ ماوراء عادل خان	خود مختار ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *
8.	جناب محمد شاقب سلیم	ایگزیکٹو ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *

\* ایچ آر اینڈ آر: ہیومن ریسورس اینڈ میوزیشن

مینجمنٹ کوڈ آف کارپوریٹ گورننس میں متعین کردہ بہترین روایات کی دفعات، خصوصاً نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، کی تعمیل جاری رکھے ہوئے ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز، جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کو واضح کیا گیا ہے، کے مطابق کاروبار کرنے پر کاربند ہے۔

بورڈ آف ڈائریکٹرز کی طرف سے بالمسرت مطلع کیا جاتا ہے کہ:

- مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کی درست بکس آف اکاؤنٹس بنائی گئی ہیں؛
- مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں؛
- مالیاتی گوشواروں کی تیاری میں پاکستان میں حتمی الاطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات، non بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، non بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینڈ ریگولیشنز 2008، متعلقہ ٹرسٹ ڈیڈز کی ضروریات اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایات کی تعمیل کی گئی ہے؛
- انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں؛
- فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں؛
- کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛
- واجب الادائیکس، قانونی چارجز اور ڈیوٹیڈ (محصولات اور چنگی وغیرہ) کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
- پروایڈنٹ/ گریجویٹس اور پینشن فنڈ کی سرمایہ کاریوں کی قدر کے بیان کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے؛ چنانچہ ڈائریکٹرز رپورٹ میں کوئی اظہار نہیں کیا گیا ہے۔

## ڈائریکٹرز رپورٹ

### معیشت اور بازار - مستقبل کا منظر

سہل مالیاتی پالیسیوں کے سبب آنے والے سال میں ترقی کی رفتار جاری رہنے کا امکان ہے۔ وسیع تر معیشت قبل از کووڈ سطحوں کے قریب چلتی ہوئی نظر آ رہی ہے جس کی پیمائش ایل ایس ایم میں ترقی، سیمنٹ کی فروخت، گاڑیوں کی فروخت وغیرہ سے ہوتی ہے۔ ہم امید کرتے ہیں کہ جی ڈی پی میں مالی سال 2022ء میں مزید ترقی ہوگی لیکن حکومتی ہدف 4.8 فیصد سے کچھ کم رہے گی۔ اشیاء کی قیمتوں میں حالیہ اضافے نے مالیاتی اور خارجی، دونوں اکاؤنٹس کے لیے مشکلات پیدا کی ہیں۔ مالیاتی جہت میں آمدنی اور ترقیاتی اخراجات کے اہداف کا پورا ہونا بہت مشکل ہے۔ درآمدات کی رفتار میں بحالی سے کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے تقریباً 2.8 فیصد پہنچ جانے کی امید ہے جس کے باعث اختتام سال تک زرمبادلہ کی شرح کمزور ہو کر تقریباً 170 ڈالر ہونے کا امکان ہے۔ اشیاء کی قیمتیں اور کمزور تر روپیہ بھی اوسط افراط زر کو برقرار رکھنے کا سبب بن سکتے ہیں جو تقریباً 8.5 فیصد ہو سکتی ہے۔ چنانچہ دوران سال آگے چل کر مالیاتی پالیسی میں سختی متوقع ہے اور اختتام سال تک سود کے 9 فیصد تک پہنچ جانے کا امکان ہے۔

آئی ایم ایف پروگرام بظاہر تعطل کا شکار ہے کیونکہ حکومت کفایت شعاری پر مبنی روایتی آئی ایم ایف اصلاحات پر ترقی پسندانہ اقدامات میں توسیع کو ترجیح دے رہی ہے۔ تعمیرات اور رہائش کے شعبوں میں سرمایہ کاری کے ذریعے برآمدات میں اضافے اور مقامی طلب کو متحرک کرنے پر توجہ کا ارتکاز حکومت کی ترقی پسندانہ حکمت عملی کے سنگ میل ہیں۔ اس ضمن میں کلیدی اقدامات میں سازگار ماحول بشمول سود کی مستحکم شرحیں، رہائش اور مشینوں کی درآمدات کے لیے رقم مہیا کرنے کی کم لاگت اسکیمیں، اور بجلی کی محصولات میں مزید اضافے سے احتراز شامل ہیں۔ پبلک سیکٹر میں رقوم کی فراہمی پر بوجھ میں کمی کے حالیہ حکومتی اقدامات کے باوجود پبلک سیکٹر کے ادارے اور خاص طور پر توانائی کا شعبہ تاحال آئی ایم ایف مذاکرات میں ایک تلخ مسئلہ اور حکومت کے لیے ایک بڑا چیلنج بنا ہوا ہے۔ ادائیگی کے توازن کے اکاؤنٹ میں تیزی سے ہونے والا بگاڑ حکومت کو آئی ایم ایف پالیسی کے ڈھانچے کے سامنے ہتھیار ڈالنے پر مجبور کر سکتا ہے جس کے نتیجے میں معاشی ترقی کی رفتار میں تبدیلی آ سکتی ہے۔

کیپیٹل مارکیٹ کے نقطہ نظر سے، خصوصاً ایکویٹیز کے تناظر میں، بازار کو وڈ کی چوتھی لہر کے حوالے سے گہری نظر رکھے ہوئے ہیں جس سے مدت قریب میں خطرات لاحق ہیں۔ ترقی کی رفتار جاری رہنے کے تناظر میں ایکویٹیز سرمایہ کاروں کو اچھا منافع دینے کی استعداد کی حامل ہے۔ دس سالہ بانڈز سے متعلق خطرات کے پریمیم فی الوقت 3.6 فیصد پر ہیں، اور قدیم اوسط 1.3 فیصد کے ساتھ تقابل سے پتہ چلتا ہے کہ شرح کے دوبارہ تعین کی بدولت کچھ فائدہ ممکن ہے۔ آمدنیوں میں اضافہ اگلے کچھ برسوں کے لیے کلیدی محرک ہوگا۔ چنانچہ ایکویٹی مارکیٹ سے مضبوط تر منافع جات جاری رہنے کی توقع کی جا سکتی ہے۔ حال ہی میں پاکستان اسٹاک ایکسچینج کی درجہ بندی کی ایم ایس سی آئی (مورگن اسٹینلی کیپیٹل انٹرنیشنل) امریکن انڈیکس سے ایم ایس سی آئی فرنٹیر مارکیٹ انڈیکس میں تبدیلی سے متعلق اعلان معمولی حد تک مثبت رہے گا، چنانچہ مقامی سرمایہ کار ممکنہ طور پر بازار کی رفتار میں کردار ادا کریں گے۔

قرض حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ سال بھر بلا رکاوٹ پالیسی شرحوں کی عکاسی جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز متوقع پیداواری خم میں شامل ہو چکے ہیں۔ ہم بانڈز کے منافعوں کی موجودہ سطحوں کے حوالے سے محتاط ہیں اور ڈیٹا کے نکات کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔

### کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیار نافذ کرنے کے لیے پرعزم ہے۔ چار (4) نان ایگزیکٹو ڈائریکٹرز، تین (3) خود مختار ڈائریکٹرز اور ایک (1) ایگزیکٹو ڈائریکٹر پر مشتمل بورڈ، مینجمنٹ کمپنی کی گورننگ باڈی کی حیثیت سے یونٹ حاملین کو عمدہ کارپوریٹ گورننس کے لیے جوابدہ ہے۔ بورڈ میں 1 خاتون اور 7 حضرات ڈائریکٹرز شامل ہیں۔ تفصیلات درج ذیل ہیں:

## ڈائریکٹرز رپورٹ

### ایکویٹی مارکیٹ کا جائزہ

کراچی اسٹاک ایکسچینج - 100 انڈیکس نے مالی سال 2021ء کے لیے 38 فیصد منافع پوسٹ کیا اور اختتام سال پر 12,934 پوائنٹس کا اضافہ حاصل کر کے 47,356 پوائنٹس پر پہنچ گیا۔ یہ مالی سال 2014ء سے لے کر اب تک کا بلند ترین منافع تھا جب انڈیکس نے دوران سال 41 فیصد منافع حاصل کیا۔ دوران سال کو وڈ کی دوسری لہر (اکتوبر 2020ء) اور تیسری لہر (فروری 2021ء) کے ظہور نو اور حزب اختلاف کی ریلیوں اور سینٹ کے انتخابات کے باعث پیدا ہونے والی سیاسی بد امنی کے باعث بازار کی چلک متاثر ہوئی۔ البتہ متوقع سے مضبوط تر معاشی بحالی اور مرکزی بینک کے اقدامات (RDA، TERF) اور بینکوں کی جانب سے گھر کے لیے رقم کی لازمی فراہمی کی بدولت بازار کی مثبت رفتار جاری رہی۔

انڈیکس میں اہم مثبت کردار ادا کرنے والے شعبے ٹیکنالوجی (385 فیصد)، بینک (36 فیصد) اور سینٹ (77 فیصد) رہے، جبکہ خام تیل کی قیمتوں میں 83 فیصد اضافے کے باوجود دریافت اور پیداوار (ای اینڈ پی) کا شعبہ 11 فیصد منافع کے ساتھ سست روی کا شکار رہا۔ بازار میں نقدیت کی صورتحال سال بھر ٹھیک ٹھاک رہی اور اوسط یومیہ حجم 169 فیصد بڑھ کر 528 ملین حصص ہو گیا جبکہ مالی سال 2020ء میں 196 ملین حصص تھا۔ علاوہ ازیں، تجارت کردہ اوسط قدر بھی 163 فیصد سال در سال (YoY) بڑھ کر 120 ملین ڈالر ہو گئی جو ایک سال قبل 46 ملین ڈالر تھی۔

غیر ملکی سرمایہ کاروں میں فروخت کا جوش مالی سال 2021ء کے دوران بھی برقرار رہا اور 387 ملین ڈالر کی خالص منافع ہوا جبکہ سال گزشتہ 285 ملین ڈالر تھی۔ لیکن اس فروخت کا اکثر حجم افراد اور کمپنیوں کی جانب سے کی گئی فروخت، بالترتیب 332 ملین ڈالر اور 138 ملین ڈالر، کے ذریعے زائل ہو گیا۔

### فنڈ کی کارکردگی

دوران مدت فنڈ نے 33.85 فیصد منافع حاصل کیا، جبکہ کراچی اسٹاک ایکسچینج (کے ایس ای) -100 کا منافع 37.58 فیصد تھا۔ 30 جون 2021ء کے اختتام پر ایکویٹی میں مجموعی شمولیت 93.3 فیصد تھی۔ فنڈ خارجی عوامل کے حوالے سے چونکہ تار اور بنیادی نوعیت کی تبدیلیوں کے پیش نظر سرمایہ کاری کی حکمت عملی میں ترمیم کی گئی۔ زیادہ تر اختصاص کمرشل بینکوں، سینٹ کے شعبے اور تیل اور گیس کی دریافت کی کمپنیوں میں رکھا گیا۔

30 جون 2021ء کو فنڈ کے net اثاثہ جات 12,397 ملین روپے تھے جو 30 جون 2020ء کی سطح 8,804 ملین روپے کے مقابلے میں 40.81 فیصد اضافہ ہے۔

30 جون 2021ء کو net اثاثہ جاتی قدر (این اے وی) نی یونٹ 103.6294 روپے تھی جو 30 جون 2020ء کو ابتدائی این اے وی 77.4230 روپے نی یونٹ کے مقابلے میں 26.2064 روپے نی یونٹ اضافہ ہے۔

ایس آر بی نے اپنے خط مورخہ 12 اگست 2021ء کے ذریعے، جو MUFAP کو 13 اگست 2021ء کو موصول ہوا، MUFAP کو مطلع کر دیا ہے کہ میوچل فنڈ ز مالیاتی اداروں / صنعتی اسٹیل شمنٹس کے طور پر اہل نہیں ہیں اور چنانچہ SWWF کے شراکتی حصے ان پر واجب الاداء نہیں ہیں۔

13 اگست 2021ء کو انتظامیہ نے MUFAP سے مشورے کے بعد اور ایس ای سی پی سے SWWF کے پراویژن کی متوقع تقلیب پر اتفاق رائے کے بعد فنڈ میں 21 مئی 2015ء تا 12 اگست 2021ء کی مدت تک کے لیے کیے گئے SWWF کے مجموعی پراویژن کی تقلیب کر دی ہے۔ چنانچہ آئندہ فنڈ میں SWWF کے لیے کوئی پراویژن نہیں کیا جائے گا۔ پراویژن کی تقلیب کے باعث 13 اگست 2021ء کو فنڈ کی net اثاثہ جاتی قدر (این اے وی) میں غیر معمولی اضافہ ہوا۔ یہ واقعہ صرف ایک مرتبہ ہوا ہے اور اس کے دوبارہ ہونے کا امکان نہیں ہے۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 12.1 ملاحظہ فرمائیے۔

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان اسٹاک مارکیٹ فنڈ کے گوشواروں مختتمہ 30 جون 2021ء کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار کا جائزہ

مالی سال 2021ء معاشی کارکردگی کے اعتبار سے مثبت سال ثابت ہوا ہے۔ مجموعی ملکی پیداوار (جی ڈی پی) اس سال کے ہدف (2.1 فیصد) سے سبقت لے گئی اور اس میں 3.94 فیصد ترقی ہوئی۔ اس توقع سے بہتر کارکردگی کے اسباب سود کی نسبتاً کم اور مستحکم شرحیں، اسٹیٹ بینک آف پاکستان (ایس بی پی) کی معاونتی مالیاتی اسکیمیں، شعبہ تعمیرات کی حوصلہ افزائی کے لیے ایمسٹی اسکیم، طلب میں بحالی اور کھپت میں مجموعی ترقی کے لیے معاون ثابت ہونے والی ترسیلات کی مضبوط آمد ہیں۔

ترقی کی رفتار سال بھر تیز رہی جس کی عکاسی مختلف شعبوں کی کارکردگی کے ذریعے ہوتی ہے۔ سہنٹ کے شعبے میں مقامی ترسیلات میں متاثر کن بحالی ہوئی اور ان میں سال گزشتہ کے مقابلے میں تقریباً 20 فیصد ترقی ہوئی۔ 2 اور 3 چہتوں والی گاڑیوں کی فروخت میں بھی تقریباً 39 فیصد کا متاثر کن ترقی ہوئی جس سے معیشت میں لچک کی عکاسی ہوتی ہے۔ اسی طرح، پٹرول اور ڈیزل کی طلب میں سال گزشتہ کے مقابلے میں بالترتیب 12 فیصد اور 16 فیصد اضافہ ہوا جس سے معیشت میں وسیع تر بحالی کی نشاندہی ہوتی ہے۔ مجموعی طور پر بڑے پیمانے پر ہونے والی مینوفیکچرنگ (ایل ایس ایم) کے انڈیکس میں گزشتہ شعبوں کی بدولت موجودہ مالی سال کے پہلے گیارہ ماہ میں تقریباً 14.6 فیصد ترقی ہوئی ہے۔

خارجی میدان میں مالی سال 2021ء میں کرنٹ اکاؤنٹ کا خسارہ 1.8 بلین ڈالر (جی ڈی پی کا 0.6- فیصد) تھا جو گزشتہ سال کے خسارے 4.4 بلین ڈالر (جی ڈی پی کے 1.7- فیصد) کے مقابلے میں 58 فیصد بہتری ہے۔ اشیاء اور خدمات میں تجارت پر بقایا پر 30 بلین ڈالر خسارے (اس سال تقریباً 23 فیصد زیادہ) کے باوجود کارکنان کی ترسیلات کی مضبوط آمد کے سبب کرنٹ اکاؤنٹ خسارہ معمولی منفی رہا۔ ترسیلات بڑھ کر 29.4 بلین ڈالر ہو گئیں جو سال گزشتہ کی سطح 23.1 بلین ڈالر کے مقابلے میں 27 فیصد اضافہ ہے۔

افراط زر حکومت کی دکھتی رگ بنی رہی کیونکہ اشیائے خورد و نوش کی بڑھتی ہوئی قیمتوں کے باعث پالیسی ساز مشکلات کا شکار رہے۔ مجموعی افراط زر، جس کی ترجمانی صارفین کی قیمت کے انڈیکس (سی پی آئی) سے ہوتی ہے، کا اوسط سال گزشتہ سے 8.9 فیصد زیادہ تھا، جبکہ اشیائے خورد و نوش کے افراط زر کا اوسط دوران مدت 13 فیصد تھا۔ رسد کی جہت میں مسائل اور بدانتظامی کے باعث جلد خراب ہو جانے والی اشیائے خورد و نوش اور گندم کی قیمتوں میں اضافہ جاری رہا۔ اس کے باوجود بنیادی افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے علاوہ سے ہوتی ہے، قابو میں تھی اور اس کا اوسط برائے مدت 6.4 فیصد تھا۔ مانیٹری پالیسی کمیٹی (ایم پی سی) نے گزشتہ اجلاسوں میں پے در پے کٹوتیوں کے بعد صورتحال کو برقرار رکھا۔ اگرچہ حقیقی سود کی شرح منفی رہی لیکن مرکزی بینک کو وڈ کے باعث طلب کی جہت پر پڑنے والے دباؤ اور بہتر خارجی صورتحال کی بدولت پیدا ہونے والی سہولت کے حوالے سے محتاط تھا۔ معیشت کے مستحکم ہونے کے آغاز کے ساتھ ٹیکس وصولی بھی بہتر ہوئی اور اس میں دوران مالی سال 18 فیصد اضافہ ہوا جو نظر ثانی شدہ ہدف سے 30 بلین روپے زیادہ تھا۔ ابتدائی نو ماہ کا مالیاتی خسارہ جی ڈی پی کا 3.6 فیصد تھا جبکہ سال گزشتہ جی ڈی پی کا 3.8 فیصد تھا۔ بنیادی توازن جی ڈی پی کے 1.0 فیصد زائد کے ساتھ مزید بہتر رہا جبکہ سال گزشتہ جی ڈی پی کا 0.4 فیصد تھا۔

افراط زر میں اضافے کے رجحان کے سبب پیداواری خم بلندی کی طرف جانا شروع ہو گیا۔ دوران مدت تین، پانچ اور دس سالہ بانڈز میں بالترتیب 146، 138 اور 125 بیسیس پوائنٹس (بی پی ایس) کا اضافہ ہوا۔

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2021

### Fund Type and Category

Pakistan Stock Market Fund (PSM) is an Open-End Equity Scheme.

### Fund Benchmark

The benchmark for PSM is KSE 100 Index.

### Investment Objective

The objective of the fund is to provide investors long term capital appreciation from its investment in Pakistani equities

### Investment Strategy

Pakistan Stock Market Fund (PSM) is an open end equity fund that invests in quality stocks listed in Pakistan. The fund is actively managed and fundamental research drives the investment process. Fundamental outlook of sectors/companies and DCF (discounted cash flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the fund's portfolio is high quality liquid stocks. The funds which are not invested in equities are required to be kept in bank deposits and short-term money market instruments/ placements.

### Manager's Review

During the period, PSM generated a return of 33.85% as compared to a return of 37.58% witnessed by the KSE100 Index. Overall equity exposure stood at 93.3% on June 30, 2021, with major allocation in Cements, Commercial Banks and Oil sectors

The Net Assets of the fund as at June 30, 2021 stood at Rs. 12,397 million as compared to Rs. 8,804 million as at June 30, 2020 registering an increase of 40.8%. The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 103.6294 as compared to opening NAV of Rs. 77.4230 per unit as at June 30, 2020 registering an increase of 26.2064 per unit.

### Asset Allocation as on June 30, 2021 (% of total assets)

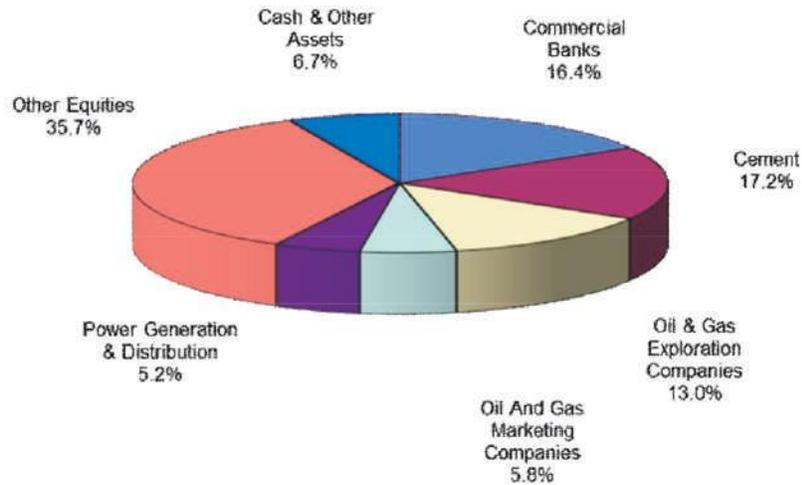
Asset Allocation (%age of Total Assets)	Jun-21
Stocks / Equities	93.3%
Cash	2.1%
T-Bills	0.0%
Others including receivables	4.6%

# REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2021

---

---

## Asset Allocation as on June 30, 2021 (% of total assets)



---

**Syed Abid Ali**  
**Fund Manager**

# TRUSTEE REPORT TO THE UNIT HOLDERS

## CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

### Head Office:

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB PAKISTAN STOCK MARKET FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Stock Market Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2021 in accordance with the provisions of the following:

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

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 10, 2021



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of MCB Pakistan Stock Market Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of MCB Pakistan Stock Market Fund (the Fund), which comprise the statement of assets and liabilities as at 30 June 2021, and the income statement, comprehensive income, cash flows statement and movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, (or give a true and fair view of) the financial position of the Fund as at 30 June 2021, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
<b>1. Existence, valuation and classification of bank balances and investments</b>	
As disclosed in note 5 and 6 to the accompanying financial statements of the Fund for the year ended 30 June 2021, the bank balances and investments (comprised of listed equity securities) held by the Fund represent 95% of the total assets of the Fund as at the year end.	We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedures included the following: <ul style="list-style-type: none"><li>- We obtained independent confirmations for verifying the existence of the bank balances as at 30 June 2021 and reconciled it with the books and records of the Fund.</li><li>- We tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li></ul>

A member firm of Ernst & Young Global Limited

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



-: 2 :-

Key audit matter	How our audit addressed the key audit matter
<p>In view of the significance of bank balances and investment in relation to the total assets and the Net Asset Value (NAV) of the Fund, we have considered the existence, valuation and classification of such bank balances and investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2021.</li> <li>- We evaluated the appropriateness of the classification of the investments in accordance with the requirements of IFRS 9 and the valuations in accordance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

### Other information

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

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



-: 3 :-

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

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

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

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

---

---



-: 4 :-

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other

matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

#### **Report on Other Legal and Regulatory Requirements**

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

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

**Chartered Accountants**

**Date:** 21 September 2021

**Karachi**

**STATEMENT OF ASSETS AND LIABILITIES  
AS AT JUNE 30, 2021**

	June 30, 2021	June 30, 2020
Note	----- (Rupees in '000) -----	
<b>ASSETS</b>		
Balances with banks	5 265,332	351,866
Investments	6 11,903,844	8,666,891
Receivable against sale of investments	499,859	27,085
Dividend and profit receivables	7 16,830	18,647
Advances, deposits and other receivables	8 74,522	14,272
<b>Total assets</b>	<b>12,760,387</b>	<b>9,078,761</b>
<b>LIABILITIES</b>		
Payable to the Management Company	9 63,617	45,048
Payable to the Trustee	10 1,258	888
Payable to the Securities and Exchange Commission of Pakistan	11 2,286	1,770
Payable against purchase of investments	24,138	91,477
Accrued expenses and other liabilities	12 202,766	135,295
Payable against redemption of units	69,140	386
<b>Total liabilities</b>	<b>363,204</b>	<b>274,864</b>
<b>NET ASSETS</b>	<b>12,397,182</b>	<b>8,803,897</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>	<b>12,397,182</b>	<b>8,803,897</b>
<b>Contingencies and Commitments</b>	13	
	----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>	<b>119,629,978</b>	<b>113,711,578</b>
	----- (Rupees) -----	
<b>NET ASSET VALUE PER UNIT</b>	<b>103.6294</b>	<b>77.4230</b>

The annexed notes 1 to 24 form an integral part of these financial statements.

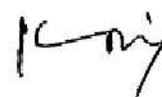
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021	June 30, 2020
----- (Rupees in '000) -----			
<b>INCOME</b>			
Financial income on			
- Government securities		1,380	34,762
- Bank balances		15,098	41,909
Dividend income		506,932	455,409
Gain on sale of investments - net		2,415,645	178,935
Unrealised gain / (loss) on re-measurement of investments classified as at fair value through profit or loss - net	6.1	722,943	(508,581)
Other income		132	19
<b>Total Income</b>		<b>3,662,130</b>	<b>202,453</b>
<b>EXPENSES</b>			
Remuneration of the Management Company	9.1	228,599	177,041
Sindh Sales Tax on remuneration of the Management Company	9.2	29,718	23,016
Remuneration of the Trustee	10.1	12,430	9,852
Sindh Sales Tax on remuneration of the Trustee		1,616	1,280
Annual fee of the Securities and Exchange Commission of Pakistan	11	2,286	1,770
Allocated expenses	9.3	11,430	8,851
Selling and marketing expenses	9.4	148,589	99,930
Auditors' remuneration	14	920	1,084
Securities transaction cost		84,793	40,763
Settlement and bank charges		5,037	2,938
Legal and professional charges		137	76
Fees and subscriptions		40	41
Provision for Sindh Workers' Welfare Fund	12.1	62,730	-
Other charges		42	43
<b>Total expenses</b>		<b>588,367</b>	<b>366,685</b>
<b>Net income / (loss) for the year before taxation</b>		<b>3,073,763</b>	<b>(164,232)</b>
Taxation	15	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>3,073,763</b>	<b>(164,232)</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		3,073,763	-
Income already paid on units redeemed		(751,278)	-
		<b>2,322,485</b>	<b>-</b>
<b>Accounting income available for distribution</b>			
- relating to capital gains		2,322,485	-
- excluding capital gains		-	-
		<b>2,322,485</b>	<b>-</b>

The annexed notes 1 to 24 form an integral part of these financial statements.

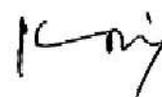
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME  
FOR THE YEAR ENDED JUNE 30, 2021**

---

---

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>Net income / (loss) for the year after taxation</b>	<b>3,073,763</b>	<b>(164,232)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b><u>3,073,763</u></b>	<b><u>(164,232)</u></b>

The annexed notes 1 to 24 form an integral part of these financial statements.

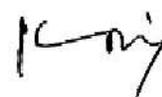
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021			June 30, 2020		
	Capital value	Undistributed income / (loss)	Total	Capital value	Undistributed income / (loss)	Total
	(Rupees in '000)					
<b>Net assets at the beginning of the year</b>	5,894,800	2,909,097	8,803,897	6,482,505	3,073,329	9,555,834
Issuance of 120,986,407 (2020: 102,220,593) units:						
- Capital value (at net asset value per unit at the beginning of the year) at Rs. 77.4230	9,367,130	-	9,367,130	8,106,154	-	8,106,154
- Element of income / (loss)	2,301,699	-	2,301,699	(16,214)	-	(16,214)
	<b>11,668,829</b>	<b>-</b>	<b>11,668,829</b>	8,089,940	-	8,089,940
Redemption of 115,068,007 (2020: 109,010,383) units:						
- Capital value (at net asset value per unit at the beginning of the year) at Rs. 77.4230	8,908,910	-	8,908,910	8,644,589	-	8,644,589
- Element of income / (loss)	1,489,119	751,278	2,240,397	(33,056)	-	(33,056)
	<b>10,398,029</b>	<b>751,278</b>	<b>11,149,307</b>	8,677,645	-	8,677,645
Total comprehensive income / (loss) for the year	-	3,073,763	3,073,763	-	(164,232)	(164,232)
Distributions during the year	-	-	-	-	-	-
Net profit / (loss) for the year less distribution	-	3,073,763	3,073,763	-	(164,232)	(164,232)
<b>Net assets as at the end of the year</b>	<b>7,165,600</b>	<b>5,231,582</b>	<b>12,397,182</b>	5,894,800	2,909,097	8,803,897
<b>Undistributed income / (loss) brought forward comprising of:</b>						
- Realised		3,417,678			4,858,310	
- Unrealised		(508,581)			(1,784,981)	
		<u>2,909,097</u>			<u>3,073,329</u>	
Accounting income available for distribution:						
- Relating to capital gains		2,322,485			-	
- Excluding capital gains		-			-	
		<u>2,322,485</u>			<u>-</u>	
Net loss for the year after taxation		-			(164,232)	
Distribution during the year		-			-	
<b>Undistributed income carried forward</b>		<u><u>5,231,582</u></u>			<u><u>2,909,097</u></u>	
<b>Undistributed income / (loss) carried forward:</b>						
- Realised		4,508,639			3,417,678	
- Unrealised		722,943			(508,581)	
		<u><u>5,231,582</u></u>			<u><u>2,909,097</u></u>	
			(Rupees)			(Rupees)
<b>Net assets value per unit at beginning of the year</b>			<u>77.4230</u>			<u>79.3006</u>
<b>Net assets value per unit at end of the year</b>			<u><u>103.6294</u></u>			<u><u>77.4230</u></u>

The annexed notes 1 to 24 form an integral part of these financial statements.

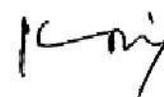
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

## CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income / (loss) for the year before taxation	3,073,763	(164,232)
<b>Adjustments for non cash and other items:</b>		
Financial income	(16,478)	(76,671)
Dividend income	(506,932)	(455,409)
Unrealised (gain) / loss on re-measurement of investments classified as at fair value through profit or loss - net	(722,943)	508,581
Gain on sale of investments - net	(2,415,645)	(178,935)
Provision for Sindh Workers' Welfare Fund	62,730	-
	(525,505)	(366,666)
<b>(Increase) / decrease in assets</b>		
Investments - net	(165,704)	(304,532)
Receivable against sale of investments	(472,774)	136,536
Advances, deposits and receivables	(60,250)	(4,799)
	(698,728)	(172,795)
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	18,569	15,309
Payable to the Trustee	370	(132)
Payable to the Securities and Exchange Commission of Pakistan	516	(8,809)
Accrued expenses and other liabilities	4,742	497
Payable against redemption of units	68,754	-
	92,951	6,865
Dividend received	508,222	461,117
Financial income received	17,004	81,971
<b>Net cash (used in) / generated from operating activities</b>	(606,056)	10,492
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received on issuance of units	11,668,829	8,089,940
Amount paid on redemption of units	(11,149,307)	(8,677,645)
<b>Net cash generated from / (used in) financing activities</b>	519,522	(587,705)
<b>Net (decrease) in cash and cash equivalents during the year</b>	(86,534)	(577,214)
Cash and cash equivalents at the beginning of the year	351,866	929,080
<b>Cash and cash equivalents at the end of the year</b>	265,332	351,866

The annexed notes 1 to 24 form an integral part of these financial statements.

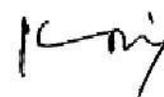
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Stock Market Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as "Management Company" and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on October 23, 2001 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 28, 2002 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules)
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is located at 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund has been categorised as equity scheme and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange. The Fund primarily invests in listed equity securities. However, it also invests in cash instruments and treasury bills not exceeding 90 days in maturities.
- 1.4 The Pakistan Credit Rating Agency (PACRA) Limited has assigned Management quality rating of 'AM1' dated October 06, 2020 to the Management Company.
- 1.5 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as the Trustee of the Fund. The duration of the Fund is perpetual. However, SECP or the Management Company may wind it up on the occurrence of certain events as specified in the offering document of the Fund.
- 1.6 The Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Act 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Trust Act have been introduced. The Management Company after fulfilling the requirement for registration of Trust Deed under Sindh Act 2020, has submitted Collective Investment Scheme Trust Deed to Registrar acting under Sindh Act 2020 for registration

## 2. STATEMENT OF COMPLIANCE

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

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

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

## 3. BASIS OF PREPARATION

### 3.1 Accounting convention

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 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

## 3.3 Functional and presentation currency

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

## 4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years.

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

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2020 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these financial statements.

### 4.2 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:

<b>Standard or Interpretation</b>	<b>Effective date (annual periods beginning on or after)</b>
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	January 01, 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	January 01, 2022
Classification of liabilities as current or non-current - Amendment to IAS 1	January 01, 2023
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized
Definition of Accounting Estimates - Amendments to IAS 8	January 01, 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	January 01, 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction Amendments to IAS 12	January 01, 2023

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.

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.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

<b>Standards</b>	<b>IASB Effective date (annual periods beginning on or after)</b>
IFRS 1 - First-time Adoption of International Financial Reporting Standards	July 01, 2009
IFRS 17 – Insurance Contracts	January 01, 2022

## 4.3 Cash and cash equivalents

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

## 4.4 Investments

### 4.4.1 Classification

#### **Business model assessment**

The Fund determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective.

The Fund's business model is not assessed on an instrument-by-instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as:

- The objectives for the portfolio, in particular, whether management's strategy focuses on earning contractual revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- How the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel;
- The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed; and
- How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).

The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from the Fund's original expectations, the Fund does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

#### **Assessments whether contractual cash flows are solely payments of principal and interest (SPPI)**

As a second step of its classification process the Fund assesses the contractual terms of financial to identify whether they meet the SPPI test.

'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium / discount).

The most significant elements of interest within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the SPPI assessment, the Fund applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

In contrast, contractual terms that introduce a more de minimis exposure to risks or volatility in the contractual cash flows that are unrelated to a basic lending arrangement do not give rise to contractual cash flows that are solely payments of principal and interest on the amount outstanding. In such cases, the financial asset is required to be measured at FVTPL.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## Equity instruments

An equity instrument held for trading purposes is classified as measured at FVTPL.

### Initial Measurement

Investments are initially measured at their fair value except in the case of financial assets recorded at FVTPL, transaction costs are added to, or subtracted from, this amount.

### Subsequent Measurement

#### Financial assets at fair value through profit or loss

Financial assets at FVTPL are recorded in the statement of financial position at fair value. Changes in fair value are recorded in profit and loss. Dividend income from equity instruments measured at FVTPL is recorded in profit or loss when the right to the payment has been established.

#### Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, October 24, 2012 will be followed.

#### 4.5 Derecognition

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

#### 4.6 Financial liabilities

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

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

#### 4.7 Offsetting of financial assets and liabilities

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

#### 4.8 Provisions

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

#### 4.9 Taxation

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

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

#### 4.10 Dividend distribution and appropriations

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

#### 4.11 Issue and redemption of units

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

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

#### 4.12 Net asset value per unit

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

#### 4.13 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Dividend income is recognised when the right to receive the dividend is established.
- Profit / mark-up on bank balances and government securities is recognised on an effective interest rate method.

#### 4.14 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

#### 4.15 Earnings / (loss) per unit

Earnings / (Loss) 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.

	Note	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
<b>5. BALANCES WITH BANKS</b>			
In current accounts	5.1	21,217	22,057
In savings accounts	5.2	244,115	329,809
		265,332	351,866

5.1 These include a balance of Rs.11.768 (2020: Rs.12.609) million maintained with MCB Bank Limited, a related

5.2 These carry profits at the rates ranging from 5.50% to 7.83% (2020: 5.50% to 8.83%) per annum and include Rs.207.336 (2020: Rs.63.120) million maintained with MCB Bank Limited, a related party which carries profit at the rate of 5.50% (2020: 5.50% to 8.83%) per annum.

#### 6. INVESTMENTS

##### At fair value through profit or loss

Listed equity securities	6.1	11,903,844	8,666,891
Government securities	6.2	-	-
		11,903,844	8,666,891



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

Name of the investee company	Symbol	No. of shares					Balance as at JUNE 30, 2021			Market value as a % of net assets of the Fund	% of paid-up capital of the investee company
		As at July 01, 2020	Purchased during the period	Bonus / right issue during the period	Sold during the period	As at June 30, 2021	Carrying Value	Market value as at June 30, 2021	Unrealised gain / (loss)		
Rupees in '000											
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise											
<b>Oil and gas exploration companies</b>											
Mari Petroleum Company Limited	MARI	253,020	175,240	-	39,300	388,960	508,231	592,927	84,695	4.78%	0.29%
Oil & Gas Development Company Limited	OGDC	5,898,610	7,638,975	-	8,398,308	5,139,277	505,446	488,385	(17,060)	3.94%	0.12%
Pakistan Oilfields Limited	POL	687,093	1,141,508	-	1,176,040	652,561	253,656	257,018	3,361	2.07%	0.23%
Pakistan Petroleum Limited	PPL	4,475,434	6,822,190	-	7,563,504	3,734,120	336,489	324,234	(12,255)	2.62%	0.14%
							<b>1,603,821</b>	<b>1,662,563</b>	<b>58,741</b>	<b>13.41%</b>	<b>0.78%</b>
<b>Oil and gas marketing companies</b>											
Attock Petroleum Limited	APL	207,000	429,900	-	16,200	620,700	204,794	199,263	(5,531)	1.61%	0.62%
Hi-Tech Lubricants Limited	HTL	100	-	-	100	-	-	-	-	0.00%	0.00%
Pakistan State Oil Company limited	PSO	-	3,845,503	-	2,259,198	1,586,305	351,952	355,729	3,776	2.87%	0.34%
Shell Pakistan Limited	SHEL	327,600	701,500	-	327,600	701,500	125,088	122,903	(2,185)	0.99%	0.33%
Sui Northern Gas Pipelines Limited	SNGP	4,184,300	2,107,183	-	5,141,239	1,150,244	54,623	55,879	1,256	0.45%	0.18%
							<b>736,458</b>	<b>733,773</b>	<b>(2,683)</b>	<b>5.92%</b>	<b>1.47%</b>
<b>Paper and Board</b>											
Century Paper & Board Mills Limited	CEPB	-	1,128,500	-	1,128,500	-	-	-	-	0.00%	0.00%
Packages Limited	PKGS	-	642,250	-	60,850	581,400	270,049	316,979	46,931	2.56%	0.65%
							<b>270,049</b>	<b>316,979</b>	<b>46,931</b>	<b>2.56%</b>	<b>0.65%</b>
<b>Pharmaceuticals</b>											
Abbott Laboratories (Pakistan) Limited	ABOT	676,700	10,000	-	310,250	376,450	250,418	298,284	47,866	2.41%	0.38%
Agg Limited	AGP	940,000	1,801,500	-	2,741,500	-	-	-	-	0.00%	0.00%
Glaxosmithkline Pakistan	GSK	-	395,200	-	395,200	-	-	-	-	0.00%	0.00%
Highnoon Labourites Limited	HINOON	-	135,200	-	-	135,200	82,538	81,120	(1,418)	0.65%	0.36%
The Searle Company Limited	SEARL	5,849	2,118,700	68,900	1,735,449	458,000	119,368	111,120	(8,248)	0.90%	0.19%
							<b>452,324</b>	<b>490,524</b>	<b>38,200</b>	<b>3.96%</b>	<b>0.93%</b>
<b>Power generation and distribution</b>											
Altern Energy Limited	ALTN	327,000	-	-	-	327,000	7,930	8,339	409	0.07%	0.09%
Hub Power Company Limited	HUBC	5,867,729	5,100,000	-	5,819,189	5,148,540	394,712	410,184	15,473	3.31%	0.40%
K-Electric Limited ***	KEL	10,142,000	31,500,000	-	19,154,000	22,488,000	87,907	94,000	6,092	0.76%	0.08%
Kot Addu Power Co. Limited	KAPCO	187,500	5,650,000	-	5,837,500	-	-	-	-	0.00%	0.00%
Lalpur Power Limited	LPL	4,100,000	8,668,000	-	5,565,500	7,202,500	95,856	128,637	32,780	1.04%	1.90%
Nishat Chunian Power Limited	NCPL	-	500,000	-	500,000	-	-	-	-	0.00%	0.00%
Nishat Power Limited	NPL	-	1,016,500	-	47,500	969,000	28,121	19,041	(9,080)	0.15%	0.27%
Pakgen Power Limited	PKGP	-	602,000	-	602,000	-	-	-	-	0.00%	0.00%
							<b>614,525</b>	<b>660,200</b>	<b>45,674</b>	<b>5.33%</b>	<b>2.74%</b>
<b>Refinery</b>											
Attock Refinery Limited	ATRL	-	1,410,400	-	929,000	481,400	118,659	123,455	4,796	1.00%	0.45%
Byco Petroleum Pakistan Limited	BYCO	-	14,675,000	-	14,675,000	-	-	-	-	0.00%	0.00%
National Refinery Limited	NRL	-	431,000	-	326,000	105,000	59,420	54,935	(4,485)	0.44%	0.13%
Pakistan Refinery Limited	PRL	-	12,097,500	-	9,634,000	2,463,500	66,544	60,627	(5,917)	0.49%	0.39%
							<b>244,622</b>	<b>239,017</b>	<b>(5,605)</b>	<b>1.93%</b>	<b>0.97%</b>
<b>Technology and communication</b>											
Avanceon Limited	AVN	20,000	5,325,000	-	5,345,000	-	-	-	-	0.00%	0.00%
Hum Network Limited **	HUMNL	-	5,000,000	-	5,000,000	-	-	-	-	0.00%	0.00%
Pakistan Telecommunication Company Limited	PTC	-	8,855,000	-	8,855,000	-	-	-	-	0.00%	0.00%
Trig Pakistan	TRG	-	8,975,000	-	8,475,000	500,000	69,958	83,165	13,207	0.67%	0.09%
Systems Limited	SYS	-	250,000	-	-	250,000	120,315	140,055	19,740	1.13%	0.18%
							<b>190,273</b>	<b>223,220</b>	<b>32,947</b>	<b>1.80%</b>	<b>0.27%</b>
<b>Textile composite</b>											
Gul Ahmed Textile Mills Limited	GATM	4,894,880	4,424,000	463,376	7,002,000	2,780,256	115,459	141,042	25,584	1.14%	0.54%
Interloop Limited	ILP	2,890,610	3,491,500	-	3,574,000	2,808,110	158,761	196,652	37,891	1.59%	0.32%
Kohinoor Textile Mills Limited	KTML	1,836,718	-	-	461,000	1,375,718	48,850	103,454	54,604	0.83%	0.46%
Nishat (Chunian) Limited	NCL	-	1,300,000	-	1,300,000	-	-	-	-	0.00%	0.00%
Nishat Mills Limited	NML	-	4,636,500	-	4,636,500	-	-	-	-	0.00%	0.00%
							<b>323,070</b>	<b>441,148</b>	<b>118,078</b>	<b>3.56%</b>	<b>1.32%</b>
<b>Transport</b>											
Pakistan International Bulk Terminal Limited		-	11,926,500	-	11,926,500	-	-	-	-	0.00%	0.00%
							<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Total as at June 30, 2021</b>							<b>11,180,903</b>	<b>11,903,844</b>	<b>722,943</b>		
<b>Total as at June 30, 2020</b>							<b>9,175,473</b>	<b>8,666,891</b>	<b>(508,581)</b>		

\* These have a face value of Rs.5 per share.  
\*\* These have a face value of Rs.1 per share.  
\*\*\* These have a face value of Rs.3.5 per share.

6.1.1 Following shares have been pledged with National Clearing Company of Pakistan Limited (NCCPL) security against settlement of the Fund's trades in terms of Circular No. 11 dated October 23, 2007 issued by SECP:

	June 30, 2021	June 30, 2020	June 30, 2021	June 30, 2020
	--- (Number of shares) ---		---- (Rupees in '000) ----	
The Hub Power Company Limited	2,000,000	2,000,000	159,340	145,000
Oil & Gas Development Company Limited	1,000,000	1,000,000	95,030	109,000
Sui Northern Gas Pipelines Limited	-	200,000	-	10,920
	<b>3,000,000</b>	<b>3,200,000</b>	<b>254,370</b>	<b>264,920</b>

6.1.2 As at June 30, 2021, the bonus shares of the Fund withheld by certain companies at the time of declaration of bonus shares amounted to Rs.4.59 million.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

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

Name of security	Issue date	Face value				Balances as at June 30, 2021		
		As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying Value	Market Value	Unrealised (loss) / gain
<b>Treasury Bills</b>								
Market Treasury Bills - 12 months	16-Aug-19	-	1,200,000	1,200,000	-	-	-	-
Market Treasury Bills - 12 months	16-Aug-19	-	425,000	425,000	-	-	-	-
Market Treasury Bills - 12 months	29-Aug-19	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 12 months	12-Sep-19	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 12 months	26-Sep-19	-	1,679,745	1,679,745	-	-	-	-
Market Treasury Bills - 12 months	26-Sep-19	-	1,679,745	1,679,745	-	-	-	-
Market Treasury Bills - 12 months	26-Sep-19	-	1,679,745	1,679,745	-	-	-	-
Market Treasury Bills - 12 months	10-Oct-19	-	2,000,000	2,000,000	-	-	-	-
Market Treasury Bills - 12 months	5-Dec-19	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 12 months	19-Dec-19	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 6 months	9-Apr-20	-	150,000	150,000	-	-	-	-
Market Treasury Bills - 6 months	9-Apr-20	-	1,375,000	1,375,000	-	-	-	-
Market Treasury Bills - 6 months	23-Apr-20	-	2,500,000	2,500,000	-	-	-	-
Market Treasury Bills - 6 months	23-Apr-20	-	750,000	750,000	-	-	-	-
Market Treasury Bills - 3 months	2-Jul-20	-	75,000	75,000	-	-	-	-
Market Treasury Bills - 3 months	2-Jul-20	-	300,000	300,000	-	-	-	-
Market Treasury Bills - 3 months	16-Jul-20	-	75,000	75,000	-	-	-	-
Market Treasury Bills - 3 months	16-Jul-20	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 3 months	16-Jul-20	-	2,900,000	2,900,000	-	-	-	-
Market Treasury Bills - 3 months	16-Jul-20	-	3,625,000	3,625,000	-	-	-	-
Market Treasury Bills - 3 months	27-Aug-20	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 3 months	27-Aug-20	-	200,000	200,000	-	-	-	-
Market Treasury Bills - 3 months	10-Sep-20	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 3 months	10-Sep-20	-	1,000,000	1,000,000	-	-	-	-
Market Treasury Bills - 3 months	8-Oct-20	-	2,500,000	2,500,000	-	-	-	-
Market Treasury Bills - 3 months	5-Nov-20	-	250,000	250,000	-	-	-	-
Market Treasury Bills - 3 months	19-Nov-20	-	1,700,000	1,700,000	-	-	-	-
Market Treasury Bills - 3 months	14-Jan-21	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 3 months	14-Jan-21	-	2,500,000	2,500,000	-	-	-	-
Market Treasury Bills - 3 months	28-Jan-21	-	2,500,000	2,500,000	-	-	-	-
Market Treasury Bills - 3 months	25-Feb-21	-	2,700,000	2,700,000	-	-	-	-
Market Treasury Bills - 3 months	8-Apr-21	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 3 months	22-Apr-21	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 3 months	6-May-21	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 3 months	20-May-21	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 3 months	3-Jun-21	-	500,000	500,000	-	-	-	-
Market Treasury Bills - 3 months	17-Jun-21	-	500,000	500,000	-	-	-	-
<b>Total as at June 30, 2021</b>								
<b>Total as at June 30, 2020</b>								

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000) -----	
<b>7. DIVIDEND AND PROFIT RECEIVABLES</b>			
Dividend receivable		15,577	16,868
Profit receivable on bank balances	7.1	<u>1,253</u>	<u>1,779</u>
		<u><b>16,830</b></u>	<u><b>18,647</b></u>

**7.1** These include a profit receivable of Rs 0.680 million (2020: Rs 0.921 million) maintained with MCB Bank Limited, a related party

		June 30, 2021	June 30, 2020
	Note	----- (Rupees in '000) -----	
<b>8. ADVANCES, DEPOSITS AND OTHER RECEIVABLES</b>			
Advance tax		4,213	4,156
Security deposits with NCCPL		2,500	2,500
Security deposits with CDC		500	500
Others	8.1	<u>67,309</u>	<u>7,116</u>
		<u><b>74,522</b></u>	<u><b>14,272</b></u>

**8.1** This include a receivable against collection account of Rs.59.432 million (Rs.0.162 million ) with MCB Bank Limited and receivable of Rs.0.005 million (2020: Rs.0.005 million) from management company, the related parties.

**9. PAYABLE TO THE MANAGEMENT COMPANY**

Remuneration payable	9.1	20,619	14,075
Sales tax on remuneration payable	9.2	2,681	1,830
Expenses allocated by the Management Company	9.3	1,031	704
Selling and Marketing expenses	9.4	38,437	28,270
Sales load payable		<u>848</u>	<u>169</u>
		<u><b>63,617</b></u>	<u><b>45,048</b></u>

**9.1** The Management Company has charged remuneration at the rate of 2.00% (2020: 2.00%) of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

**9.2** Sales tax on management remuneration has been charged at the rate of 13% (2020: 13%).

**9.3** During the year, the Management Company has charged actual expenses related to registrar services, accounting, operations and valuation services to the CIS as per SECP vide SRO 639 dated June 20, 2019. Previously the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is lower.

**9.4** During the year, the Management Company has charged actual expenses to the extent as it has think expedient as per SECP circular 11 dated July 05, 2019. Previously, the selling and marketing expenses was allowed initially to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

10. PAYABLE TO THE TRUSTEE	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
Remuneration payable	10.1	1,113	786
Sales tax on remuneration payable		145	102
		<u>1,258</u>	<u>888</u>

**10.1** The Trustee, CDC is entitled to a monthly remuneration 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 net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:

Net assets value	Tariff per annum
Upto Rs.1,000,000,000	0.20% per annum of Net Assets
On amount exceeding Rs.1,000,000,000	Rs.2,000,000 plus 0.10% on amount exceeding Rs.1,000,000,000

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

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.02% (2020: 0.02%) of the average daily net assets of the Fund.

12. ACCRUED EXPENSES AND OTHER LIABILITIES	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
Provision for Sindh Workers' Welfare Fund	12.1	120,605	57,875
Federal Excise Duty payable on management remuneration	12.2	54,774	54,774
Federal Excise Duty payable on sales load		3,933	3,933
Unclaimed dividends		9,722	9,722
Brokerage payable		9,821	5,783
Auditors' remuneration		624	681
Withholding tax payable		3,113	2,177
Printing and related charges payable		40	39
Payable to legal advisor		130	119
Other payable		5	192
		<u>202,766</u>	<u>135,295</u>

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

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF Contributions. This development was discussed at MUFAP level on August 13, 2021 and was also taken up with the SECP and all the Asset Management Companies in consultation with SECP reversed the cumulative provision for SWWF recognized in the financial statements of the Funds, for the period from May, 21 2015 to August 12, 2021, on August 13, 2021. Furthermore, SECP through its letter dated August 30, 2021 has also given its concurrence for prospective reversal of provision of SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statements of the Fund. Had the provision for SWWF been reversed in the financial statements of the Fund for the year ended June 30, 2021, the net asset value of the fund as at June 30, 2021 would have been higher by Rs.1.01 (2020: Rs. 0.51) per unit.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

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

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

On September 04, 2013, a Constitutional Petition was filed in the Honourable Sindh High Court (SHC) jointly by various Asset Management Companies, together with their representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

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

With effect from July 01, 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 01, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2021 aggregates to Rs.54.77 (2020: Rs.54.77) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2021 would have been higher by Rs.0.46 (2020: Re.0.48) per unit.

## 13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at the June 30, 2021 and June 30, 2020.

**June 30,**                      **June 30,**  
**2021**                              **2020**  
 ----- (Rupees in '000) -----

## 14. AUDITORS' REMUNERATION

Annual audit fee	525	500	
Half yearly review fee	315	312	
Other certification and services	-	77	
	<b>840</b>	889	
Sales tax	68	71	
Out of pocket expenses	12	124	
	<b>920</b>	1,084	

## 15. TAXATION

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 16. TRANSACTIONS AND BALANCES OUTSTANDING WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes managed by the Management Company, MCB Bank Limited being the Holding Company of the Management Company, the Trustee, directors, key management personnel and other associated undertakings and connected persons. Connected persons also include any person beneficially owning directly or indirectly 10% or more of the units in the issue / net assets of the Fund.

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

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

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

	June 30, 2021				June 30, 2020			
	As at July 01, 2020	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	As at June 30, 2021	As at July 01, 2020	Issued for cash / conversion in / transferred in	Redeemed / conversion out / transfer out	As at June 30, 2020
	Units (Rupees in '000)							
<b>16.1 Unit Holders' Fund</b>								
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>	1,422,539	4,693,951	4,701,100	1,415,390	110,137	447,421	465,000	146,676
<b>Group / associated companies</b>								
Adamjee Insurance Company Limited Employees Gratuity Fund	24,724	160,183	78,729	106,178	1,914	15,236	8,191	11,003
Adamjee Life Assurance Company Limited - IMF *	34,698,988	1,623,338	404,941	35,917,385	2,686,500	157,500	40,000	3,722,097
Adamjee Life Assurance Company Limited - NUJL	3,502,317	54,041	1,946,901	1,609,457	271,160	5,000	187,300	166,787
Adamjee Insurance Company Limited Employees Provident Fund Trust	48,978	749,327	369,516	428,789	3,792	74,080	38,095	44,435
D.G. Khan Cement Company Limited Employees Provident Fund Trust	199,265	-	-	199,265	15,428	-	-	20,650
Asghari Beg Memorial Trust	41,814	-	1,087	40,727	3,237	-	100	4,220
Nasim Beg	-	22,064	21,228	836	-	2,002	2,091	87
Syed Savail Meekal Hussain	96,943	1,802	1,282	97,463	7,506	172	122	10,100
<b>Key Management Personnel</b>								
Mandate under discretionary portfolio services	72,198	3,270,740	3,199,755	143,182	5,590	315,768	310,434	14,838
	3,059,684	1,850,994	2,765,689	2,144,990	236,890	176,936	269,712	222,284
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>	3,227,917	5,126,659	6,932,037	1,422,539	255,976	389,604	565,369	110,137
<b>Group / associated companies</b>								
Adamjee Insurance Company Limited Employees Gratuity Fund	16,433	8,291	-	24,724	1,303	765	-	1,914
Adamjee Life Assurance Company Limited - IMF *	28,368,367	16,221,252	9,890,631	34,698,988	2,249,629	1,149,000	780,000	2,686,501
Adamjee Life Assurance Company Limited - NUJL	2,072,157	1,908,735	478,575	3,502,317	164,323	141,500	34,000	271,160
Adamjee Insurance Company Limited Employees Provident Fund Trust	32,837	16,142	-	48,978	2,604	1,489	-	3,792
D.G. Khan Cement Company Limited Employees Provident Fund Trust	199,265	-	-	199,265	15,802	-	-	15,428
Nishat Mills Employees Provident Fund Trust	6,836,556	-	6,836,556	-	542,143	-	502,923	-
Asghari Beg Memorial Trust	47,260	10	5,456	41,814	3,748	1	447	3,237
Nasim Beg	-	5,527	5,527	-	-	451	475	-
Syed Savail Meekal Hussain	37,866	59,077	-	96,943	3,003	5,000	-	7,506
<b>Key Management Personnel</b>								
Mandate under discretionary portfolio services	95,205	912,031	934,667	72,569	7,550	74,477	74,459	5,618
Unit holders holding 10% or more	4,009,707	15,848,295	16,028,481	3,829,521	317,972	1,239,795	1,222,526	296,483
	11,794,969	-	-	11,794,969	936,348	-	-	913,202

\* These persons are also related party due to holding of more than 10% units of net assets of the Fund.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

16.2 Transactions during the year:	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>Management Company</b>		
<b>MCB Arif Habib Savings and Investments Limited</b>		
Remuneration of the Management Company	228,599	177,041
Sindh Sales Tax on remuneration of the Trustee	29,718	23,016
Allocated expenses and related taxes	11,430	8,851
Selling and marketing expenses	148,589	99,930
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	12,430	9,852
Sindh Sales Tax on remuneration of the Trustee	1,616	1,280
Central Depository Service charges	2,144	894
<b>Group / associated companies</b>		
<b>Arif Habib Capital Limited - Brokerage House</b>		
Brokerage expense*	4,994	2,797
<b>MCB Bank Limited</b>		
Bank charges	204	94
Profit on balances with banks	8,379	15,233
Dividend income	7,893	22,578
Sale of securities having face value of Rs.2,500 million (2020: Rs.850 million)	2,463,278	845,432
Purchase of 2,269,357 shares (2020: 3,111,142 shares)	398,702	468,450
Sale of 5,100,499 shares (2020: 3,051,900 shares)	914,243	534,876
<b>Power Cement Limited</b>		
Purchase of 18,966,500 shares (2020: Nil shares)	202,327	-
Sale of 11,773,500 shares (2020: Nil shares)	108,059	-
<b>Arif Habib Limited</b>		
Purchase of 75,000 shares (2020: Nil shares)	5,925	-
Sale of 7,000 shares (2020: Nil shares)	571	-
<b>Nishat Mills Limited</b>		
Dividend income	5,844	-
Sale of 4,636,500 shares (2020: 1,221,600 shares)	506,036	82,582
Purchase of 4,636,500 shares (2020: Nil shares)	482,362	-
<b>Nishat Chunian Limited</b>		
Dividend income	-	-
Purchase of 1,300,000 shares (2020: Nil shares)	60,765	-
Sale of 1,300,000 shares (2020: 275,500 shares)	64,527	8,181
<b>Nishat Chunian Power Limited</b>		
Dividend income	-	-
Purchase of 500,000 shares (2020: Nil shares)	9,368	-
Sale of 500,000 shares (2020: Nil shares)	9,865	-
<b>Nishat Power Limited</b>		
Dividend income	-	-
Purchase of 1,016,500 shares (2020: Nil shares)	29,499	-
Sale of 47,500 shares (2020: Nil shares)	1,038	-
<b>Pakgen Power Limited</b>		
Purchase of 602,000 shares (2020: Nil shares)	14,483	-
Sale of 602,000 shares (2020: Nil shares)	16,576	-
<b>Adamjee Insurance Company Limited</b>		
Dividend income	6,112	3,177
Purchase of 2,434,500 shares (2020: 3,755,000 shares)	105,102	146,022
Sale of 5,155,000 shares (2020: Nil shares)	221,869	-
<b>Aisha Steels Limited</b>		
Sale of 16,734,500 shares (2020: Nil shares)	350,653	-
Purchase of 21,123,500 shares (2020: Nil shares)	349,621	-
<b>Lalpir Power Limited</b>		
Dividend income	20,669	-
Sale of 5,565,500 shares (2020: Nil shares)	79,653	-
Purchase of 8,668,000 shares (2020: Nil shares)	118,011	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>DG Khan Cement Company Limited</b>		
Purchase of 6,461,080 shares (2020: 4,803,000 shares)	733,722	360,585
Sale of 4,609,600 shares (2020: 4,803,000 shares)	510,785	358,731
<b>Fatima Fertilizer Company Limited</b>		
Dividend Income	-	8,283
Purchase of Nil shares (2020: Nil shares)	-	-
Sale of 4,141,500 shares (2020: 407,000 shares)	117,015	10,564
<b>16.3 Balances outstanding at year end:</b>		
<b>Management Company</b>		
<b>MCB - Arif Habib Savings and Investment Limited</b>		
Remuneration payable	20,619	14,075
Sindh sales tax payable on remuneration	2,681	1,830
Sales load payable including related taxes	848	169
Payable against allocated expense	1,031	704
Payable against marketing and selling expenses	38,437	28,270
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	1,113	786
Sindh sales tax payable on remuneration	145	102
Security deposit	500	500
<b>Group / associated companies</b>		
<b>MCB Bank Limited</b>		
Bank balance**	219,105	75,729
Profit receivable on bank balances	680	921
Other receivable against collection account	59,432	162
Sales load payable	-	13
<b>Arif Habib Limited</b>		
Brokerage payable*	776	538
<b>D.G. Khan Cement Company Limited</b>		
1,851,480 shares (2020: Nil shares)	218,327	-
<b>Power Cement Limited</b>		
7,193,000 shares (2020: Nil shares)	69,125	-
<b>MCB Bank Limited</b>		
Nil shares (2020: 2,831,142 shares)	-	458,843
<b>Aisha Steel Limited</b>		
4,389,000 shares (2020: Nil shares)	109,330	-
<b>Fatima Fertilizer Company Limited</b>		
Nil shares (2020: 4,141,500 shares)	-	110,702
<b>Arif Habib Limited</b>		
68,000 shares (2020: Nil shares)	5,516	-
<b>Adamjee Insurance Co. Limited</b>		
1,034,500 shares (2020: 3,755,000 shares)	42,901	124,328
<b>Lalpir Power Limited</b>		
7,202,500 shares (2020: 4,100,000 shares)	128,637	-
<b>Nishat Power Limited</b>		
969,000 shares (2020: Nil shares)	19,041	-

\* 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.

\*\* This represents balances held in current and in deposit accounts carrying mark-up at the rate of 5.50% (2020: 5.50% to 8.83%) per annum.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 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, profit rate and other price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Pension Fund Manager 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 Pension Fund Manager has overall responsibility for the establishment and oversight of the Fund's risk management framework.

The Fund's primary financial assets comprise of balances with banks and at fair value through profit and loss investments, comprising of equity securities of listed companies. The Fund also has dividend receivable, profit receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Management company, Trustee and SECP and accrued and other liabilities.

### 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, the NBFC Regulations and the NBFC Rules.

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 were carried out in Pak Rupee.

#### 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.

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

Presently, the Fund does not hold any variable profit based investment except balances with banks in deposit account exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease as on June 30, 2021, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.2.56 (2020: Rs.3.27) million.

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

As at June 30, 2021 the Fund does not hold any fixed rate instruments, therefore, the Fund is not exposed to fair value profit rate risk.

Profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

June 30, 2021						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	More than three months and			Not exposed to profit rate risk	Total	
	Upto three months	upto one year	More than one year			
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Balances with banks	5.50 - 7.83%	244,115	-	-	21,217	265,332
Investments classified as:						
At fair value through profit or loss						
- Listed equity securities		-	-	-	11,903,844	11,903,844
Receivable against sale of investments		-	-	-	499,859	499,859
Dividend and profit receivables		-	-	-	16,830	16,830
Deposits and other receivables		-	-	-	70,309	70,309
		<u>244,115</u>	<u>-</u>	<u>-</u>	<u>12,512,059</u>	<u>12,756,174</u>
<b>Financial Liabilities</b>						
Payable to the Management Company		-	-	-	60,936	60,936
Payable to the Trustee		-	-	-	1,113	1,113
Payable against redemption of units		-	-	-	69,140	69,140
Payable against purchase of investments		-	-	-	24,138	24,138
Accrued and other liabilities		-	-	-	20,296	20,296
		<u>-</u>	<u>-</u>	<u>-</u>	<u>175,622</u>	<u>175,622</u>
<b>On-balance sheet gap</b>		<u><u>244,115</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>12,336,437</u></u>	<u><u>12,580,552</u></u>

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2021.

June 30, 2020						
Exposed to yield / interest rate risk						
Yield / effective interest rate (%)	More than three months and			Not exposed to profit rate risk	Total	
	Upto three months	upto one year	More than one year			
----- (Rupees in '000) -----						
<b>On-balance sheet financial instruments</b>						
<b>Financial Assets</b>						
Balances with banks	5.50 - 8.83%	329,809	-	-	22,057	351,866
Investments classified as:						
At fair value through profit or loss						
- Listed equity securities		-	-	-	8,666,891	8,666,891
Available-for-sale						
- Listed equity securities		-	-	-	-	-
Receivable against sale of investments		-	-	-	27,085	27,085
Dividend and profit receivables		-	-	-	18,647	18,647
Deposits and other receivables		-	-	-	10,116	10,116
		<u>329,809</u>	<u>-</u>	<u>-</u>	<u>8,744,796</u>	<u>9,074,605</u>
<b>Financial Liabilities</b>						
Payable to the Management Company		-	-	-	43,218	43,218
Payable to the Trustee		-	-	-	786	786
Payable against redemption of units		-	-	-	386	386
Payable against purchase of investments		-	-	-	91,477	91,477
Accrued and other liabilities		-	-	-	16,486	16,486
		<u>-</u>	<u>-</u>	<u>-</u>	<u>152,353</u>	<u>152,353</u>
<b>On-balance sheet gap</b>		<u><u>329,809</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>8,592,443</u></u>	<u><u>8,922,252</u></u>

There is no off-balance sheet financial instrument that exist as at year ended June 30, 2020.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 17.1.3 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.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 6.1.

The following table illustrates the sensitivity of the profit for the year and the unit holders' fund to an increase or decrease of 5% in the fair values of the Fund's equity securities. This level of change is considered to be reasonably possible based on observation of current market conditions. The sensitivity analysis is based on the Fund's equity securities at each statement of assets and liabilities date, with all other variables held constant.

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
	---- (Rupees in '000) ----	
Investments	<u>595,192</u>	<u>433,345</u>
Income statement	<u>595,192</u>	<u>433,345</u>

### 17.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. The credit risk of the Fund principally arises from deposits and other receivable balances.

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

	<b>June 30, 2021</b>	<b>June 30, 2020</b>
	----- (Rupees in '000) -----	
Balances with banks	265,332	351,866
Receivable against sale of investments	499,859	27,085
Dividend and profit receivables	16,830	18,647
Deposits and other receivables	<u>70,309</u>	<u>10,116</u>
	<u>852,330</u>	<u>407,714</u>

All deposits with NCCPL and CDC are highly rated and risk of default is considered minimal.

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2021 and June 30, 2020.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

	June 30, 2021	June 30, 2020
	----- % -----	----- % -----
<b>Bank balances by rating category</b>		
AAA/A1+	97.45%	94.08%
AA+/A1+	2.54%	5.92%
AA-/A1+	0.00%	0.00%
A-/A2	0.01%	0.00%
	<b>100.00%</b>	<b>100.00%</b>

**Advances and deposits**

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

**Concentration of credit risk**

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

**Settlement risk**

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

**17.3 Liquidity risk**

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

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

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

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

	June 30, 2021			
	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	60,936	60,936	-	-
Payable to the Trustee	1,113	1,113	-	-
Payable against redemption of units	69,140	69,140	-	-
Payable against purchase of investments	24,138	24,138	-	-
Accrued and other liabilities	20,296	20,296	-	-
	<b>175,622</b>	<b>175,622</b>	-	-

	June 30, 2020			
	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	43,218	43,218	-	-
Payable to the Trustee	786	786	-	-
Payable against redemption of units	386	386	-	-
Payable against purchase of investments	91,477	91,477	-	-
Accrued and other liabilities	16,486	16,486	-	-
	<b>152,353</b>	<b>152,353</b>	-	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

**17.4 Financial instruments by category**

	June 30, 2021		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Assets</b>			
Balances with banks	-	265,332	265,332
Investments	11,903,844	-	11,903,844
Dividend and profit receivable	-	16,830	16,830
Receivable against sale of investment	-	499,859	499,859
Deposits and other receivables	-	70,309	70,309
	<b>11,903,844</b>	<b>852,330</b>	<b>12,756,174</b>

	June 30, 2021		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	60,936	60,936
Payable to the Trustee	-	1,113	1,113
Payable against redemption of units	-	69,140	69,140
Payable against purchase of investments	-	24,138	24,138
Accrued and other liabilities	-	20,296	20,296
	-	<b>175,622</b>	<b>175,622</b>

	June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
	'----- (Rupees in '000) '-----		
<b>Assets</b>			
Balances with banks	-	351,866	351,866
Investments	8,666,891	-	8,666,891
Dividend and profit receivable	-	18,647	18,647
Receivable against sale of investment	-	27,085	27,085
Advances, deposits and other receivables	-	10,116	10,116
	<b>8,666,891</b>	<b>407,714</b>	<b>9,074,605</b>

	June 30, 2020		
	At fair value through profit or loss	At amortised cost	Total
	----- (Rupees in '000) -----		
<b>Liabilities</b>			
Payable to the Management Company	-	43,218	43,218
Payable to the Trustee	-	786	786
Payable against redemption of units	-	386	386
Payable against purchase of investments	-	91,477	91,477
Accrued and other liabilities	-	16,486	16,486
	-	<b>152,353</b>	<b>152,353</b>

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 18. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

### 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

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

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

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

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

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

As at June 30, 2020 and June 30, 2019, the Fund held the following instruments measured at fair values:

	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>June 30, 2021</b>				
At fair value through profit or loss	<u>11,903,844</u>	<u>-</u>	<u>-</u>	<u>11,903,844</u>
<b>June 30, 2020</b>				
At fair value through profit or loss	<u>8,666,891</u>	<u>-</u>	<u>-</u>	<u>8,666,891</u>

During the year ended June 30, 2021, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

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

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 20. 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:

#### 20.1 Pattern of unit holding

##### Details of pattern of unit holding

June 30, 2021				
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	7,694	37,367,927	3,872,416	31.20%
Insurance companies	12	8,836,360	915,707	7.40%
Asset Management Company	1	1,415,391	146,676	1.20%
Banks / DFIs	3	39,267	4,069	0.03%
Non Banking Finance Companies (NBFCs)	7	33,568	3,479	0.03%
Retirement funds	67	25,223,500	2,613,896	21.10%
Other Companies	62	5,082,231	526,669	4.20%
Associated Companies	8	38,400,099	3,979,379	32.10%
Directors	1	10	1	0.00%
Others	52	3,231,625	334,891	2.70%
	<b>7,907</b>	<b>119,629,978</b>	<b>12,397,182</b>	<b>100.00%</b>

June 30, 2020				
	Number of unit holders	Number of units held	Investment Amount (Rupees in '000)	Percentage of total investments
Individuals	7,642	34,836,615	2,697,157	30.60%
Insurance companies	11	5,353,359	414,473	4.70%
Asset Management Company	1	1,422,539	110,137	1.30%
Banks / DFIs	3	39,267	3,040	0.00%
Non Banking Finance Companies (NBFCs)	7	33,568	2,599	0.00%
Retirement funds	66	22,640,850	1,752,924	19.90%
Other Companies	65	7,067,662	547,200	6.20%
Associated Companies	7	38,613,027	2,989,538	34.00%
Directors	1	1,100	85	0.00%
Others	51	3,703,591	286,744	3.30%
	<b>7,854</b>	<b>113,711,578</b>	<b>8,803,897</b>	<b>100.00%</b>

#### 20.2 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:

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2021**

		<b>June 30, 2021 (Percentage)</b>
1	JS Global Capital Limited	<b>6.90%</b>
2	Arif Habib Limited	<b>6.66%</b>
3	Alfalah CLSA Securities (Private) Limited	<b>6.46%</b>
4	Efg Hermes Pakistan Limited	<b>5.84%</b>
5	Top Line Securities (Private) Limited	<b>5.29%</b>
6	DJM Securities Limited	<b>4.72%</b>
7	AKD Securities Limited	<b>4.59%</b>
8	Intermarket Securities Limited	<b>4.23%</b>
9	BMA Capital Management Limited	<b>4.22%</b>
10	Khadim Ali Shah Bukhari Securities (Private) Limited	<b>4.19%</b>

		<b>June 30, 2020 (Percentage)</b>
1	JS Global Capital Limited	8.45%
2	Arif Habib Limited	7.94%
3	Efg Hermes Pakistan Limited	7.73%
4	Alfalah CLSA Securities (Private) Limited	6.62%
5	Foundation Securities (Private) Limited	5.74%
6	Taurus Securities Limited	5.41%
7	Top Line Securities (Private) Limited	5.34%
8	Intermarket Securities Limited	5.20%
9	Khadim Ali Shah Bukhari Securities (Private) Limited	5.06%
10	BMA Capital Management Limited	5.03%

**20.3 Attendance at meetings of the Board of Directors**

The 157th, 158th, 159th, 160th, 161st, 162nd, 163rd, 164th, 165th, 166th and 167th meetings of the Board of Directors were held on July 27, 2020, August 10, 2020, August 18, 2020, October 23, 2020, November 17, 2020, December 14, 2020, February 08, 2021, April 16, 2021, May 04, 2021, June 02, 2021 and June 28, 2021. respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

<b>Name of Director</b>	<b>Number of meetings</b>			<b>Meeting not attended</b>
	<b>Held</b>	<b>Attended</b>	<b>Leave granted</b>	
Mr. Haroun Rashid	11	11	-	-
Mr. Nasim Beg	11	11	-	-
Mr. Ahmed Jahangir	11	11	-	-
Mirza Qamar Beg	11	11	-	-
Syed Savail Meekal Hussain	11	11	-	-
Mr. Kashif A. Habib	11	10	1	165
Ms. Mavra Adil Khan	11	8	3	159, 163 & 167
Mr. Muhammad Saqib Saleem (CEO)	11	11	-	-

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

### 20.4 Particulars of investment committee and fund manager

Detail of members of the investment committee of the Fund are as follow:

Name	Designation	Qualification	Experience in years
Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
Muhammad Asim	Chief Investment Officer	MBA & CFA	17
Awais Abdul Sattar	Head of Research	MBA & CFA	11
Jawad Naeem	Head of Islamic Equity	MBA & CFA	12
Saad Ahmed	Head of Fixed Income	MBA	16
Muhammad Aitazaz Farooqui	Senior Analyst	MBA & CFA	13
Syed Abid Ali	Head of Equities	MBA	13
Usama Iqbal	Fund Manager	B.COM	17

### 20.5 Other funds managed by the fund manager

Mr. Syed Abid Ali 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 Pakistan Asset Allocation Fund
- Pakistan Capital Market Fund
- Alhamra Islamic Active Allocation Fund
- Pakistan Pension Fund

### 21. TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 5.15% as on June 30, 2021 (2020 is 4.14%) and this includes 0.85% (2020: 0.34%) representing Government Levy, Sindh Workers' Welfare Fund (SWWF) and SECP fee. This ratio is within the maximum limit of 4.5% capped as per S.R.O 639 (I)/2019 dated June 20, 2019 issued by SECP, in connection with NBFC Regulations 60(5) for a collective investment scheme categorised as an equity scheme.

### 22. IMPACT OF COVID-19

A novel strain of coronavirus (COVID-19) was classified as a pandemic by the World Health Organization on March 11, 2020, impacting countries globally. Measures taken to contain the spread of the virus, including lock-downs, travel bans, quarantines, social distancing, and closures of non-essential services and factories triggered significant disruptions to businesses worldwide and in Pakistan, resulting in an economic slowdown. During the lockdown that lasted from March to May 2020, the funds continued their activity, as the Pakistan Stock Exchange and the money markets continued trading. Management Company is of the view that while COVID-19 and its resulting containment measures have affected the economy, investors' confidence and adequate steps from the government and regulators have spearheaded recovery and subsequent events reflect that in due course, things would be normalised.

### 23. GENERAL

**23.1** Figures have been rounded off to the nearest thousand rupee unless otherwise specified.

**23.2** Corresponding figures have also been rearranged and reclassified, wherever necessary, for better presentation. However, there has been no material reclassification to report.

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

---

---

### 24. DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorized for issue by the Board of Directors of the Management Company on August 09, 2021 and further amended on September 15, 2021 to incorporate the subsequent event as disclosed in note 12.1 to these financial statements.

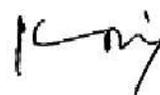
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2021**

---

---

No. of Unit Holders	Unit Holdings	Total Units Held
2835	001-10,000	75,140
2467	10,001 – 100,000	918,831
1784	100,001 – 1,000,000	5,926,726
821	1,000,001+	112,709,103
<b>7907</b>		<b>119,629,978</b>

## PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2021

Performance Information	2021	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	12,397	8,804	9,556	10,113	11,629
Net Assets value per unit – Rupees	103.6294	77.423	79.3006	94.8056	102.5017
Closing Offer Price	107.1424	80.0476	81.9889	98.0195	105.9765
Closing Repurchase Price	100.1164	74.7984	76.6123	94.8056	102.5017
Highest offer price per unit	111.0017	84.1621	101.2954	109.4173	130.9362
Lowest offer price per unit	81.059	81.5497	80.4862	88.8802	90.7800
Highest Redemption price per unit	107.3621	81.4026	97.9741	105.8297	126.6430
Lowest Redemption price per unit	78.4012	78.8758	77.8472	85.966	87.7000
Distribution per unit – Rs. *	-	-	-	-	10.00
<b>Average Annual Return - %</b>					
One year	33.85	(2.37)	(16.35)	(7.51)	29.54
Two year	15.74	(9.36)	(11.93)	11.02	17.40
Three year	5.04	(8.74)	1.89	9.09	24.71
Net Income for the year – Rs. in million	3,073.7630	(164.2317)	(1,943.1600)	(693.6915)	2,456.6290
Distribution made during the year – Rs. in million	-	-	-	-	967.0940
Accumulated Capital Growth – Rs. in million	3,073.7630	(164.2317)	(1,943.1600)	(693.6915)	1,489.5350

**\* Date of Distribution**

2021	
Date	Rate

Nil

2020	
Date	Rate

Nil

2019	
Date	Rate

Nil

2018	
Date	Rate

Nil

2017	
Date	Rate

June 21, 2017

10

**Disclaimer**

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

**PROXY ISSUED BY FUND  
FOR THE YEAR ENDED JUNE 30, 2021**

---

---

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (the Management Company of MCB Pakistan Stock Market Fund – MCB-PSM) has an overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on the Management Company’s website ([www.mcbah.com](http://www.mcbah.com)).

During the financial year ended June 30, 2021, the Management Company on behalf of MCB-PSM participated in twelve (12) shareholders' meetings. Summary of actual proxies voted during the financial year are as follows:

	<b>Resolutions</b>	<b>For</b>	<b>Against</b>	<b>Abstain</b>	<b>Reason for Abstaining</b>
Number	49	49	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of MCB-PSM will be provided without any charges upon request of the Unit Holders.

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

**Head Office:** 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi

UAN: (+92-21) 11-11-62224 (11-11-MCB-AH)

URL: [www.mcbah.com](http://www.mcbah.com), Email: [info@mcbah.com](mailto:info@mcbah.com)

---