



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2019

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



PAKISTAN INCOME FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Syed Savail Meekal Hussain Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Mirza Qamar Beg Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Amir Qadir	
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shakra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al Habib Limited NRSP Micro Finance Bank Limited Mobilink Micro Finance Bank Limited U Micro Finance Bank Limited Khushali Micro Finance Bank Limited Telenor Micro Finance Bank Limited Silk Bank Limited Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Micro Finance Bank Limited National Bank of Pakistan	
Auditors	Deloitte Yousuf Adil Chartered Accountant Cavish Court, A-35, Block-7 & 8 KCHSU, Shakrah-e-Faisal, Karachi-75350.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

Dear Investor,

On behalf of the Board of Directors, we are pleased to present **Pakistan Income Fund** accounts review for the year ended June 30, 2019.

ECONOMY AND MONEY MARKET OVERVIEW

Pakistan's economy inherited myriad of challenges entering into fiscal year 2019, particularly a weak balance of payment and fiscal situation. The macroeconomic imbalances were coped with vigilant policy actions from central bank which resultantly took its toll on the economic growth. Gross Domestic Product (GDP) growth as per the preliminary estimates slowed down to 3.3% compared to 5.2% witnessed during the preceding year. All the three major sectors namely Agriculture, Industrial, and Services witnessed a slowdown posting growth of 0.9%, 1.4% and 4.7% respectively. Agricultural growth faltered as growth in major crops receded, evident from the decline in production of Sugarcane, Cotton & Rice which fell by 19.4%, 17.5% and 3.3% respectively. Industrial growth also weakened as large scale manufacturing (LSM) could not bear the brunt of contractionary policies pursued by central bank to achieve macroeconomic stabilization. LSM posted a decline of 3.7% as industries dependent on government spending and imports faced reduced demand. Among the major LSM sectors, Automobiles and Iron & Steel witnessed a demand contraction of 11.7% and 11.2% respectively. Nevertheless, Services sector provided some rescue to the economic growth, thanks to Finance and Insurance (up 5.4% YoY) and Government Services (up 8.0% YoY). Dollar denominated size of GDP stood at USD ~280 billion compared to USD ~315 billion in the last year, witnessing a contraction of 11%.

At the onset of year, Pakistan was plagued by one of the biggest balance of Payment crisis in its history. While it was facing a Current Account Deficit (CAD) north of USD 19 billion and external repayments worth USD 9 billion, the crisis was compounded by the fact that foreign exchange reserves of mere USD ~10 billion were at hand. Timely policy action by the central bank particularly adjusting the currency by 32% during the year helped in arresting the CAD. Real Effective Exchange Rate (REER) dropped from the overvalued territory in June 18 to become undervalued by 10%. Resultantly, the CAD contracted by 32.1% to USD 13.5 billion during the year. While exports growth did not materialize, improvement in CAD was driven from declining imports of Non-oil goods and services (down 11.8% YoY) and improved remittances (up 9.7% YoY). Default on loan obligations was also averted after Pakistan was successful in getting material inflows (USD ~10 billion) from its friendly allies. Although, narrowing current account deficit along with bilateral flows did provide some breathing space to the balance of payment, State Bank of Pakistan's (SBP) foreign reserves still declined by USD 2.5 billion to USD 7.5 billion due to the gravity of external crisis. At last, Pakistan also signed up for an IMF program during the month of May'19, putting all uncertainty to an end on the external front. The staff level agreement of USD 6.2 billion was reached for a period of three years.

The headline inflation as represented by Consumer Price Index (CPI) accelerated to an average of 7.3% in FY19 compared to 3.9% in the last year. Higher utility tariffs particularly a hike in gas prices (up ~64% YoY) and increased petroleum prices (up ~23% YoY) contributed to the rise in inflation. The regulator allowed for adjustments in utility tariffs as government eliminated the subsidies, while petroleum prices were adjusted after PKR depreciated by more than 30% against USD during the year. Similarly, the lagged impact of PKR depreciation resulted in more pronounced inflation in the second half which increased to an average of 8.6%, compared to 6.0% witnessed in the first half of the fiscal year. In order to control inflation and bring stability to the macroeconomic imbalances, the central bank continued its monetary tightening and increased the interest rates by 75 bps during the course of the year.

Fiscal books of the government continued to deteriorate, with the fiscal deficit reaching an unprecedented 8.9% of the GDP. Total revenue declined by 6% during the year, marred by a sharp drop in non-tax revenue of 44% during the period. Surplus profitability from SBP collapsed to nearly zero, after central bank recorded massive exchange losses due to currency devaluation. Tax collection also remained dismal as YoY collection remained flat, owing to tax exemptions announced in the last budget and a weak economy. On the other hand, total expenditures increased by 11%, despite a 25% cut in development spending. The increase in expenditures was propelled by a surge in current expenditures, particularly as

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

the debt servicing costs escalated by 40% YoY due to increase in interest rates. Government relied on domestic sources to fund its deficit, as financing from external sources (Multilateral agencies) dried up since IMF program was not available during the most part of the year. Within the domestic channel, the government relied heavily on central bank borrowing as nearly 70% of the borrowing out of PKR 3 trillion was funded through SBP.

On the money market side, the yield curve shifted on upward trajectory after record monetary tightening by the central bank during the fiscal year. SBP cited rising inflation, twin deficits and declining forex reserves as the prime reasons behind the policy decisions. In the first half of fiscal year, concerns over external front along with unadjusted policy decisions kept market participants at bay from longer tenor instruments. However, by the end of the fiscal year as the policy adjustments were fully in place, market participants drew much comfort which resulted in a massive demand for longer tenor bonds. In fact, the yield curve turned inverted as 10 Year PIB's traded at much lower level compare to short term security papers.

During the year, SBP persistently tried to develop the market for floating rate bonds by conducting regular auctions. The central bank accepted a cumulative amount of PKR 714 billion at a credit spread of 70-75 bps over base rate (6M T-bill yield). On the other hand, the government matured PKR 314 billion of Ijara Sukuks causing a dearth of Shariah Compliant avenues. However, to fund the circular debt, SBP introduced Pakistan Energy SUKUK amounting to PKR 200 billion exclusively for Islamic Banks at 80 bps premium over base rate. Nevertheless, liquidity position throughout the period remained comfortable owing to regular OMOs conducted by SBP.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.13% as against its benchmark return of 10.75%.

At period end, the fund was 34.5% in TFCs and 63.0% in Cash. Weighted average maturity of the fund stood at 1.5 years.

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 1,392 million as compared to Rs. 1,519 million as at June 30, 2018 registering a decrease of 8.36%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 53.8234 as compared to opening NAV of Rs. 56.3297 per unit as at June 30, 2018 registering a decrease of Rs. 2.5063 per unit.

FUTURE OUTLOOK

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits. IMF forecasts Pakistan GDP growth to slow down to 2.5% in FY20, in the wake of tightening policies pursued by the government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the government has incentivized the above, while increased power supply also eliminates bottleneck for them.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. The beginning for the year has been very promising as CAD for July'19 shrank to USD ~600 million, compared to USD ~2,000 million seen during the same period of last year. Our forecast at very conservative assumptions is that CAD will settle at 2.7% of GDP. We have assumed crude oil prices at USD 70/BBL, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD ~13 billion (up 1.8x) by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Jun'19 REER at 91) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

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Inflation is expected to pick up to an average of 11.7% in FY20 compared to 7.3% witnessed during the last year. Multiple reasons are attributed for the surge in inflation. Firstly, the government is aiming to recover the full cost of utilities resulting in the price adjustment of utilities. Secondly, tax exemptions provided to multiple industries have been withdrawn causing a hike in prices. Finally, we have assumed PKR to be north of 170 against USD by the end of fiscal year, while crude oil is assumed at USD 70/BBL which will keep the overall CPI high. Nevertheless, we expect core inflation as represented by Non Food Non Energy (NFNE) to average below 10.0% for the year. We deem that current real interest rate is sufficient to cater for the expected inflation, therefore, in general we do not expect any further increase in interest rates. However, more than expected inflation and any deterioration in fiscal accounts can result in modest tightening in the monetary policy.

On the fiscal side, the government is aiming to limit fiscal deficit at 7.4% of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6% of GDP. For this purpose, FBR is targeting an ambitious tax collection of PKR 5.5 trillion (up 35% YoY). The budget presented in the parliament proposed PKR 600 -700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the government is aiming for austerity measures on the current expenditure side, however, it is aiming for an expansionary Public Sector Development Program (PSDP) of PKR 1.7 trillion (up 40% YoY). We believe the tax collection target to be highly optimistic and expect a shortfall of PKR ~300-400 billion. As a result, the axe can fall on the development spending.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With six (6) non-executive directors including two (2) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever 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.

**REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2019**

- 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, 2019, the Fund is in compliance with the requirement 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, 2019:

1. Meeting of the Audit Committee.

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

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

2. Meeting of the Human Resource and Remuneration Committee.

During the year, one (1) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

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

*Dr. Syed Salman Ali Shah resigned from the Board effective June 10, 2019 and Mirza Qamar Beg was included as a member and also appointed as Chairman of the Committee.

3. Meeting of Risk Management Committee.

During the year, one (1) meetings of the Risk Management Committee were held. The attendance of each participant is as follows:

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Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg (Chairman)	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-

- m. Nil 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.

External Auditors

The fund's external auditors, **Deloitte Yousuf Adil Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2020. The audit committee of the Board has recommended reappointment of **Deloitte Yousuf Adil Chartered Accountants** as auditors of the fund for the year ending June 30, 2020.

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 13, 2019



Nasim Beg
Director / Vice Chairman

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019ء کو ختم ہونے والے سال کے لیے پاکستان انکم فنڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا مجموعی جائزہ

پاکستان کی معیشت کو مالی سال 2019ء میں داخل ہوتے ہوئے بے شمار چیلنجز و روٹے میں ملے، خاص طور پر ادائیگی کے توازن اور مالیات کی کمزور صورتحال۔ گلاں معاشیات کے غیر متوازن عناصر سے نمٹنے کے لیے مرکزی بینک نے چوکنے پالیسی اقدامات کیے جن کے نتیجے میں معاشی ترقی متاثر ہوئی۔ مجموعی ملکی پیداوار (GDP) کی ترقی ابتدائی تخمینوں کے مطابق سال گزشتہ (5.2 فیصد) کے مقابلے میں کم ہو کر 3.3 فیصد رہ گئی۔ تینوں بڑے شعبے جات یعنی زراعت، صنعت اور سروسز سٹ روی کا شکار ہوئے اور ان کی ترقی کی شرح بالترتیب 0.9 فیصد، 1.4 فیصد اور 4.7 فیصد رہی۔ اہم فصلوں کی نمو میں گراؤٹ کے سبب زرعی ترقی بھی پسماندگی کا شکار ہوئی جس کا اظہار گئے، کپاس اور چاول کی پیداوار میں بالترتیب 19.4 فیصد، 17.5 فیصد اور 3.3 فیصد کمی سے ہوتا ہے۔ صنعتی ترقی بھی کمزوری کا شکار ہوئی کیونکہ بڑے پیمانے کی پیداوار (LSM) مرکزی بینک کی گلاں معاشیاتی استحکام کے حصول کے لیے اختیار کردہ کانٹریکشنری (حکومتی خرچ یا مالیاتی توسیع کی شرح میں کمی پر مبنی) پالیسیوں کا خمیازہ برداشت نہیں کر سکی۔ LSM میں 3.7 فیصد کمی ہوئی کیونکہ حکومتی خرچ اور درآمدات پر انحصار کرنے والی صنعتوں کو مانگ میں کمی کا سامنا ہوا۔ LSM کے اہم شعبہ جات میں گاڑیوں کے شعبے میں 11.7 فیصد اور لوہے اور اسٹیل کے شعبے میں 11.2 فیصد مانگ کا تضاد ہوا۔ تاہم سروسز کے شعبے نے معاشی ترقی کو کچھ حد تک ڈھال فراہم کیا جس کا سہرہ فائننس اینڈ انشورنس (5.4 فیصد YoY ترقی) اور حکومتی سروسز (8.0 فیصد YoY ترقی) کے سر جاتا ہے۔ GDP کا ڈالر کے اعتبار سے حجم 280 بلین ڈالر تھا جو سال گزشتہ (315 بلین ڈالر) کے مقابلے میں 11 فیصد تضاد ہے۔

سال کے آغاز پر ہی پاکستان اپنی تاریخ کے سب سے بڑے ادائیگی کے توازن کے بحران کا شکار ہوا۔ اگرچہ اسے 19 بلین ڈالر کرنٹ اکاؤنٹ خسارے (CAD) اور 9 بلین ڈالر خارجی ادائیگی نو کا سامنا تھا لیکن یہ بحران شدت اختیار کر گیا کیونکہ غیر ملکی زرمبادلہ کے ذخائر صرف 10 بلین ڈالر رہ گئے تھے۔ مرکزی بینک کے بروقت پالیسی اقدام، خاص طور پر دوران سال روپے میں 32 فیصد ترمیم سے CAD پر قابو پانے میں مدد ملی۔ حقیقی مؤثر شرح مبادلہ (REER) جون 2018ء کے اصل سے زائد قدر کی سطح سے نیچے آئی اور اصل سے 10 فیصد کم قدر کی حامل ہو گئی۔ نتیجتاً CAD دوران سال 32.1 فیصد سکڑ کر 13.5 بلین ڈالر ہو گیا۔ اگرچہ برآمدات میں ترقی نہیں ہو سکی لیکن CAD میں بہتری کے اسباب تیل کے علاوہ والی اشیاء اور سروسز کی درآمدات میں 11.8 فیصد YoY (یور اور یور) کی اور ترسیلات زر میں 9.7 فیصد YoY اضافہ ہے۔ پاکستان کے دوستانہ حلیفوں سے مادی درآمدات زر (10 بلین ڈالر) حاصل کرنے میں کامیابی کے بعد ادائیگی قرض میں کوتاہی بھی ٹل گئی۔ اگرچہ CAD میں کمی کے ساتھ ساتھ رقوم کی دو طرفہ آمد و رفت سے ادائیگی کے توازن کا کچھ سانس بحال ہوا لیکن خارجی بحران کی شدت کے باعث اسٹیٹ بینک آف پاکستان (SBP) کے غیر ملکی زرمبادلہ کے ذخائر 2.5 بلین ڈالر کم ہو کر 7.5 بلین ڈالر رہ گئے۔ علاوہ ازیں، ماہ مئی 2019ء کے دوران پاکستان نے بالآخر آئی ایم ایف پروگرام پر دستخط کر دیئے جس سے خارجی میدان میں تمام غیر یقینیوں کا خاتمہ ہو گیا۔ 6.2 بلین ڈالر کا اسٹاف لیول معاہدہ تین برسوں کی مدت کے لیے عمل میں آیا۔

مالی سال 2019ء میں صارفی قیمت کے انڈیکس (CPI) کے مطابق افراط زر مزید تیز رفتار ہو کر 7.3 فیصد کے اوسط تک پہنچ گئی جبکہ گزشتہ سال یہ اوسط 3.9 فیصد تھا۔ افراط زر میں اضافے میں یوٹیلٹی کے بلند ترین، خاص طور پر گیس کی قیمتوں میں (64 فیصد YoY) اضافہ اور پٹرول کی قیمتوں میں (23 فیصد YoY) اضافہ سرگرم عمل ہیں۔ سبسڈیز کے خاتمے کے حکومتی اقدام سے یوٹیلٹی کے نرخ میں ترمیم کا موقع ملا، جبکہ پٹرول کی قیمتوں میں ترمیم

ڈائریکٹرز رپورٹ

دورانِ سال روپے کی قدر ڈالر کے مقابلے میں 30 سے زائد فیصد گر جانے کے بعد کی گئی۔ اسی طرح، روپے کی قدر میں کمی کے سبب رفتار اثر کے نتیجے میں افراطِ زر مالی سال کے نصف ثانی میں شدید تر ہو کر 8.6 فیصد اوسط تک پہنچ گئی جبکہ نصف اول میں 0.6 فیصد تھی۔ افراطِ زر پر قابو پانے اور گلاں معاشیاتی غیر متوازن عناصر میں استحکام پیدا کرنے کے لیے مرکزی بینک نے مالیاتی سختی کا عمل جاری رکھتے ہوئے انٹریسٹ کی شرحوں میں دورانِ سال 575 بیسیس پوائنٹس (bps) کا اضافہ کیا۔

حکومت کے مالیاتی اعداد میں پسماندگی کا سلسلہ جاری رہا اور مالیاتی خسارہ GDP کے 8.9 فیصد تک پہنچ گیا جس کی نظیر نہیں ملتی۔ کل آمدنی میں دورانِ سال 6 فیصد کمی ہوئی جس کا سبب غیر ٹیکس آمدنی میں دورانِ مدت 44 فیصد سنگین گراؤ ہے۔ روپے کی قدر میں کمی کے باعث مرکزی بینک کو زرمبادلہ کے خطیر خسارہ جات کا سامنا ہوا اور SBP سے اضافی منافع کے گنجائش تقریباً صفر ہو گئی۔ ٹیکس وصولی بھی مایوس کن رہی کیونکہ گزشتہ بجٹ میں اعلان کردہ ٹیکس استثنائات اور مجموعی طور پر کمزور معیشت کے باعث YoY وصولی میں کوئی اضافہ نہیں ہوا۔ دوسری جانب ترقیاتی خرچ میں 25 فیصد کمی کرنے کے باوجود کل اخراجات میں 11 فیصد اضافہ ہوا۔ اخراجات کے اضافے کو کرنٹ اخراجات میں اضافے نے مزید ہوا دی جس کا اہم سبب انٹریسٹ کی شرحوں میں اضافے کے سبب ادائیگی قرض میں 40 فیصد YoY اضافہ ہے۔ حکومت نے اپنے خسارے کی تلافی کے لیے مقامی ذرائع پر انحصار کیا کیونکہ سال کے اکثر حصے کے دوران آئی ایم ایف پروگرام کی عدم دستیابی کے باعث خارجی ذرائع (کثیر الجہتی ایجنسیاں) غیر مفید ہو گئے تھے۔ مقامی ذرائع میں حکومت نے سب سے زیادہ انحصار سینٹرل بینک پر کیا کیونکہ 3 ٹریلین روپے قرض میں سے تقریباً 70 فیصد کا انتظام SBP کے ذریعے کیا گیا۔

دورانِ مالی سال مرکزی بینک کی طرف سے تاحال سب سے زیادہ مالیاتی سختی کے باعث بازار زر کا پیداواری خم بلندی کی طرف مائل ہوا۔ SBP نے بڑھتی ہوئی افراطِ زر، بڑا خساروں اور زرمبادلہ کے گھٹتے ہوئے ذخائر کو پالیسی سے متعلق فیصلوں کے عوالم قرار دیا۔ مالی سال کے نصف اول میں خارجی میدان کے ساتھ ساتھ پالیسی کے غیر ترمیم شدہ فیصلوں سے متعلق خدشات نے مارکیٹ کے شرکاء کو طویل ترمیم کے انعقاد کے انسٹرومنٹس سے دور رکھا۔ تاہم مالی سال کے اختتام کے قریب جب پالیسی کی ترمیمات پوری طرح نافذ ہو گئیں تب مارکیٹ کے شرکاء نے سکون کا سانس لیا جس کے نتیجے میں طویل ترمیم کے انعقاد کے بانڈز کی خطیر مانگ پیدا ہو گئی۔ حتیٰ کہ دس سالہ پاکستان انویسٹمنٹ بانڈز کی تجارت مختصر مدت کے سیکورٹی پیپرز کے مقابلے میں کافی پست سطح پر ہونے کے سبب پیداواری خم اوندھا ہو گیا۔

دورانِ سال SBP نے باقاعدہ نیلامیوں کا انعقاد کر کے فلوئنگ ریٹ بانڈز کے لیے مارکیٹ کی ترقی کی مسلسل کوشش کی۔ مرکزی بینک نے base ریٹ (6M ٹریژری بلز پیداوار) کے اوپر 70 سے 75 bps کریڈٹ اسپریڈ پر 714 بلین روپے کی مجموعی رقم قبول کی۔ دوسری جانب حکومت نے 314 بلین روپے کے اجارہ سٹاک میچور کے جس کے سبب شریعت کی تعمیل پر مبنی مواقع کی کمی ہو گئی۔ تاہم گردش قرضے کے لیے رقم کی فراہمی کے لیے SBP نے خاص طور پر اسلامک بینکوں کے لیے base ریٹ کے اوپر 80 bps پر 200 بلین روپے کے پاکستان انرجی سٹاک متعارف کرائے۔ علاوہ ازیں، SBP کی طرف سے باقاعدہ OMOs کے انعقاد کی بدولت پوری مدت کے دوران نقدیت کی صورتحال تسلی بخش رہی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 8.13 فیصد تھا جبکہ مقررہ معیار 10.75 فیصد تھا۔
اختتام مدت پر فنڈ کی سرمایہ کاری 34.5 فیصد ٹرم فنانس سٹریٹجی (TFCs) میں اور 63.0 فیصد نقد میں تھی۔ فنڈ کی ویڈیو پورٹ میچورٹی (WAM) 1.5 سال تھی۔

30 جون 2019ء کو فنڈ کے Net اثاثہ جات 1,392 ملین روپے تھے جو 30 جون 2018ء (1,519 ملین روپے) کے مقابلے میں 8.36 فیصد کمی ہے۔

30 جون 2019ء کو Net اثاثہ جاتی قدر (NAV) نی یونٹ 53.8234 روپے تھی جو 30 جون 2018ء کی ابتدائی NAV (56.2397 روپے فی یونٹ) کے مقابلے میں 2.5063 روپے فی یونٹ کمی ہے۔

مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں گلاں معاشیاتی یکجہایت عمل میں آئے گی، چنانچہ معاشی ترقی چھوٹے اعداد تک محدود رہے گی۔ حکومت کی اختیار کردہ سختی پر مبنی پالیسیوں کے پیش نظر آئی ایم ایف نے مالی سال 2020ء میں پاکستان کی GDP کی ترقی میں 2.5 فیصد سست روی کی پیش گوئی کی ہے۔ صنعتی ترقی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبہ جات میں ترقی جمود کا شکار رہے گی۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیوں سے کچھ مہلت ملے گی کیونکہ حکومت نے ان میں ترقی یافتہ متعارف کرائی ہیں، اور توانائی کی فراہمی میں اضافے کی بدولت ان کی رکاوٹیں بھی دور ہوتی ہیں۔

ادائیگی کی توازن کی پریشانیوں نے فی الوقت ختم ہو گئی ہیں کیونکہ مرکزی حکومت کی طرف سے پالیسی اقدامات کے بعد CAD ترمیم سے گزر کر معقول سطح تک آ گیا ہے۔ سال کا آغاز بہت حوصلہ افزا رہا کیونکہ جولائی 2019ء کا CAD سال گزشتہ کی مماثل مدت کے CAD (2,000 ملین ڈالر) کے مقابلے میں سیکڑ کر 600 ملین ڈالر رہ گیا تھا۔ ہمارے بہت مختصر مضمون پر مبنی پیشن گوئی ہے کہ CAD کی سطح GDP کے 2.7 فیصد تک پہنچ کر رک جائے گی۔ ہم نے خام تیل کی قیمتیں 70 ڈالر فی BBL کی سطح پر فرض کی ہیں جو موجودہ طور پر 60 ڈالر فی BBL کے آس پاس ہے۔ ایک آئی ایم ایف پروگرام پر دستخط کرنے کے بعد پاکستان بین الاقوامی مواقع کو استعمال کر کے اپنی مجموعی مالیات کے لیے رقم فراہم کر سکے گا۔ سعودی عرب کی طرف سے تیل کی ملتی شدہ سہولت بھی غیر ملکی زرمبادلہ کے ذخائر کو مختصر المیعاد مطلوبہ توقف فراہم کرے گی۔ ہمیں توقع ہے کہ موجودہ مالی سال کے اختتام تک غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 13 بلین ڈالر تک پہنچ جائیں گے (1.8 ضربے زیادہ)۔ روپے کے توازن کی سطحوں (جون 2019ء REER: 91) تک ہم آہنگ ہونے اور CAD کے پائیدار حد میں ہونے کی وجہ سے روپے کی قدر میں اس کے ماضی کے اوسط کی بنیاد پر اب معمولی کمی ہونی چاہیے۔

مالی سال 2020ء میں افراط زر کا اوسط متوقع طور پر 11.7 فیصد بڑھے گا جو سال گزشتہ کے دوران 7.3 فیصد تھا۔ افراط زر میں اس اضافے کے متعدد عوامل ہیں۔ اول، حکومت یوٹیلٹی کی پوری لاگت وصول کرنے کا ارادہ کر رہی ہے جس کے نتیجے میں یوٹیلٹی کی قیمت میں ترمیمات ہوں گی۔ دوم، متعدد صنعتوں کو فراہم کردہ ٹیکس استثنائات واپس لے لی گئی ہیں جس کے نتیجے میں قیمتوں میں اضافہ ہوا ہے۔ آخری یہ کہ ہم نے مالی سال کے اختتام تک 1 ڈالر کو 170 روپے کے برابر فرض کیا ہے جبکہ خام تیل کو 70 ڈالر فی BBL فرض کیا ہے جس سے مجموعی صارفی قیمت کا انڈیکس (CPI) بلند سطح پر رہے گا۔ علاوہ ازیں، ہمیں اُمید ہے کہ ایشیائے خورد و نوش اور توانائی کے علاوہ والے شعبوں (NFNE) سے ظاہر ہونے والی بنیادی افراط زر کا اوسط زیر بحث سال

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کے لیے 10.0 فیصد ہوگا۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح متوقع افراط زر کی ضرورت پوری کرنے کے لیے کافی ہوگی، چنانچہ، عمومی طور پر انٹریسٹ کی شرحوں میں مزید اضافہ متوقع نہیں ہے۔ تاہم توقع سے زیادہ افراط زر یا مالیاتی گوشواروں میں کسی تنزلی کے نتیجے میں مانیٹری پالیسی میں معمولی سختی عمل میں آسکتی ہے۔

مالیاتی جہت میں حکومت مالیاتی خسارے کو GDP کے 7.4 فیصد تک محدود کرنے کا ارادہ کر رہی ہے۔ اگرچہ مالیاتی خسارے کے حتمی ہدف میں ارتقاء ہو سکتا ہے لیکن حکومت کو بنیادی خسارے کو GDP کے 0.6 فیصد پر محدود کرنے کی آئی ایم ایف کی بنیادی شرط کو پورا کرنا ہے۔ اس مقصد کے لیے فیڈرل بورڈ آف ریونیو (FBR) 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس وصولی کا عزم بلند کیے ہوئے ہے۔ پارلیمنٹ میں پیش کردی بجٹ میں 600 سے 700 بلین روپے کے ٹیکس اقدامات کی تجویز دی گئی ہے جبکہ باقی رقم FBR کی کوششوں اور معاشی ترقی پر منحصر رکھی گئی ہے۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات میں سادگی کے اقدامات کا عزم کر رہی ہے تاہم 7.1 ٹریلین روپے (40 فیصد YoY زیادہ) کے ایکسپینڈیچر (یعنی معاشی توسیع پر مبنی) پبلک سیلٹرز و پلمنٹ پروگرام (PSDP) کا منصوبہ بنا رہی ہے۔ ہم ٹیکس وصولی کی ہدف کو بے حد مثبت خیالی پر مبنی سمجھتے ہوئے 300 سے 400 بلین روپے کی کمی کی توقع کر رہے ہیں جس کے نتیجے میں ترقیاتی خرچ پر ضرب پڑے گی۔

چاہیے کیونکہ یہ غیر معمولی منافع جات فراہم کرنے کی استعداد کے حامل ہیں۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پرعزم ہے۔ چھ (6) غیر ایگزیکٹو ڈائریکٹرز بشمول دو (2) خود مختار ڈائریکٹرز پر مشتمل بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابہ ہے۔ انتظامیہ بہترین طریقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی شفقتوں کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

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

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) کی دفعات 2003ء، نان بینکنگ فنانس کمپنیز اینڈ ٹریڈنگ اینڈ انٹیلیجیٹ ریگولیشنز 2008ء، متعلقہ ٹرسٹ ڈیڈ کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

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

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- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔
- h. واجب الادا ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریننگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر بیس میں درج ہیں، فنڈ اس سے compliant ہے۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2019ء کو ختم ہونے والے سال 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		
2	7	9	9	۱۔ جناب ہارون رشید (چیئرمین)
-	9	9	9	۲۔ جناب احمد جہانگیر
-	9	9	9	۳۔ جناب نسیم بیگ
-	9	9	9	۴۔ مرزا محمد قمر بیگ

۲۔ ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	1	1	1	۱۔ ڈاکٹر سید سلمان شاہ (چیئرمین)*
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر
-	1	1	1	۴۔ جناب ہارون رشید
-	1	1	1	۵۔ جناب محمد ثاقب سلیم (سی ای او)

ڈائریکٹرز رپورٹ

* ڈاکٹر سید سلمان علی شاہ نے 10 جون 2019ء کو بورڈ سے استعفیٰ دیا اور مرزا قمر بیگ ممبر کے طور پر شامل کیا گیا اور کمیٹی کے چیئرمین کے طور پر بھی ان کی تقرری کی گئی۔

۳۔ رسک مینجمنٹ کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ میوزیشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگ کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	1	1	1	۱۔ جناب مرزا قمر بیگ (چیئرمین)
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر

m. دوران سال مینجمنٹ کمیٹی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانس آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے نوٹس کی کوئی خرید و فروخت نہیں کی۔

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر اوکس چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
13 ستمبر 2019ء

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

Fund Type and Category

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

Fund Benchmark

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

Investment Objective

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

Manager's Review

During the period under review, the fund generated an annualized return of 8.13% as against its benchmark return of 10.75%.

At period end, the fund was 34.5% in TFCs and 63.0% in Cash. Weighted average maturity of the fund stood at 1.5 years.

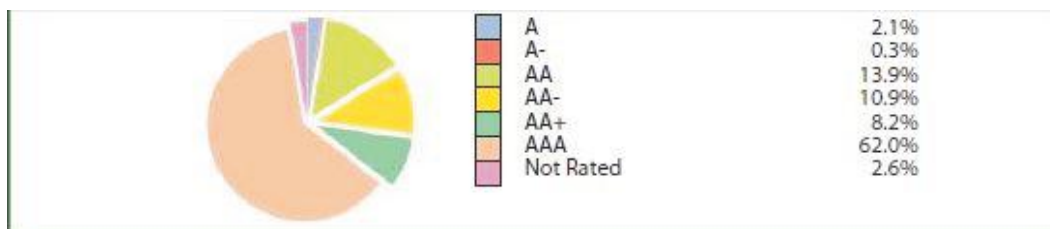
The Net Assets of the Fund as at June 30, 2019 stood at Rs. 1,392 million as compared to Rs. 1,519 million as at June 30, 2018 registering a decrease of 8.36%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 53.8234 as compared to opening NAV of Rs. 56.3297 per unit as at June 30, 2018 registering a decrease of Rs. 2.5063 per unit.

Asset Allocation as on June 30, 2019 (% of total assets)

Particulars	Jun-19
Cash	63.0%
Others including receivables	2.5%
TFCs	34.5%
T-Bills	0.0%

Asset Quality as of June 30, 2019 (% of total assets)



Usama Iqbal
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



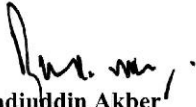
TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN INCOME FUND

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

We Central Depository Company of Pakistan Limited, being the Trustee of Pakistan Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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 18, 2019



INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Shahrah-e-Faisal
Karachi-75350
Pakistan

Tel: +92 (0) 21 3454 6494-7
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INDEPENDENT AUDITOR'S REPORT

To The Unit Holders of Pakistan Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Pakistan Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance and its cash flows for the year then ended in accordance with 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 and Management Company in accordance with the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants (IESBA Code)* as adopted by the Institute of Chartered Accountants of Pakistan together with the ethical requirements that are relevant to our audit of the financial statements in Pakistan, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA 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.

S. No.	Key audit matter	How the matter was addressed in our audit
1	Valuation and existence of investments As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss (FVTPL) amounted to Rs. 492.339 million as at June 30, 2019, consisting of term finance certificates and sukuk certificates which represent significant item of the statement of assets and liabilities of the Fund.	We performed the following procedures during our audit of investments: <ul style="list-style-type: none">evaluated design and implementation of controls in place related to purchases and sales of investments;independently tested valuations to ensure that the investments are valued as per the

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

S. No.	Key audit matter	How the matter was addressed in our audit
	Considering the above, the existence and valuation are significant areas during our audit due to which we have considered this as a Key Audit Matter.	valuation methodology disclosed in the accounting policies; <ul style="list-style-type: none"> • independently matched the number of term finance certificates and sukuk certificates, held by the Fund with the Central Deposit Company's account statement; • tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities; and • any differences identified during our testing that were over our acceptable threshold were investigated further.

Other Matter

The financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who through their report dated September 24, 2018 expressed an unmodified opinion thereon.

Information Other than the Financial Statements and Auditor's Report Thereon

Management Company is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

Management Company 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 the Management Company 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 Company 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 Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Member of
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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Deloitte Yousuf Adil
Chartered Accountants

Those Charged with Governance of the Management Company 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 Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

From the matters communicated with Those Charged with Governance of the Management Company, we determine those matters that were of most significance in the audit of the financial statements of the

Y.A.

Member of
Deloitte Touche Tohmatsu Limited

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

Deloitte.

Deloitte Yousuf Adil
Chartered Accountants

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 Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.


Chartered Accountants

Date: September 23, 2019

Place: Karachi

Member of
Deloitte Touche Tohmatsu Limited

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2019**

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 ----- (Rupees in '000) -----
ASSETS			
Bank balances	4	899,104	616,193
Investments	5	492,339	580,656
Receivable against margin trading system		-	242,107
Profit receivable	6	19,976	17,401
Advances, deposits, prepayments and other receivables	7	15,933	80,725
Total Assets		1,427,352	1,537,082
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	1,767	1,413
Payable to Central Depository Company of Pakistan Limited - Trustee	9	191	198
Payable to the Securities and Exchange Commission of Pakistan	10	1,121	1,124
Payable against redemption of units		47	47
Dividend payable		14,367	-
Accrued expenses and other liabilities	11	18,328	15,422
Total liabilities		35,821	18,204
NET ASSETS		1,391,531	1,518,878
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		1,391,531	1,518,878
CONTINGENCIES AND COMMITMENTS	12		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		25,853,633	26,964,052
		(Rupees)	
NET ASSETS VALUE PER UNIT		53.8234	56.3297

The annexed notes 1 to 26 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
INCOME			
Markup / Return on Investments	13	70,555	42,617
(Loss) / Gain on sale of investments - net		(1,331)	1,666
Markup on deposits with banks		73,946	49,076
Dividend income		-	2,164
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	5.2	(8,382)	(2,213)
Income on spread and margin trading system transactions		7,461	9,087
Other income		1,169	1,789
Total income		143,418	104,186
EXPENSES			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	14,625	20,722
Sindh sales tax on remuneration of the Management Company	8.2	1,901	2,694
Allocated expenses and related taxes	8.3	1,495	1,693
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	2,121	2,124
Sindh sales tax on remuneration of Trustee	9.2	276	276
Annual fee of Securities and Exchange Commission of Pakistan	10.1	1,121	1,124
Provision against Sindh Workers' Welfare Fund	11.1	2,375	1,422
Brokerage expense		81	840
Legal, professional and other charges		189	142
Settlement and bank charges		1,518	2,213
Fees and subscription		639	490
Auditors' remuneration	14	645	742
Printing and related costs		51	6
Total operating expenses		27,037	34,488
Net income for the year before taxation		116,381	69,698
Taxation	16	-	-
Net income for the year after taxation		116,381	69,698
Allocation of net income for the year			
Net income for the year after taxation		116,381	69,698
Income already paid on units redeemed		(35,933)	(25,902)
		80,448	43,796
Accounting income available for distribution			
Relating to capital gains		-	-
Excluding capital gains		80,448	43,796
		80,448	43,796

The annexed notes 1 to 26 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2019**

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Net income for the year after taxation	116,381	69,698
Other comprehensive income for the year:		
Unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	-	217
Total comprehensive income for the year	116,381	69,915

The annexed notes 1 to 26 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	For year ended June 30,							
	2019				2018			
	(Rupees in '000)							
Capital Value	Undistributed income	Unrealised appreciation on available-for-sale investments	Total	Capital Value	Undistributed income	Unrealised (diminution) / appreciation on available-for-sale investments	Total	
Net assets at beginning of the year	1,354,270	164,570	38	1,518,878	1,601,366	120,774	(179)	1,721,961
Adoption of IFRS 9	-	38	(38)	-				
Issue of 52,167,972 units (2018: 20,715,907 units)								
- Capital value (at net asset value per unit at the beginning of the year)	2,805,521	-	-	2,805,521	1,113,741	-	-	1,113,741
- Element of income	88,521	-	-	88,521	36,886	-	-	36,886
	2,894,042	-	-	2,894,042	1,150,627	-	-	1,150,627
Redemption of 53,278,391 units (2018: 25,780,811 units)								
- Capital value (at net asset value per unit at the beginning of the year)	(2,865,237)	-	-	(2,865,237)	1,386,043	-	-	1,386,043
- Amount paid out of element of income	(63,475)	(35,933)	-	(99,408)	11,680	25,902	-	37,582
- Relating to 'Net income for the year after taxation'	(2,928,712)	(35,933)	-	(2,964,645)	1,397,723	25,902	-	1,423,625
Final distribution for the year ended June 30, 2018 (including additional units) at the rate of Rs. 2.5511 per unit (Declared on July 04, 2018)	(25,134)	(43,654)	-	(68,788)	-	-	-	-
Total comprehensive income for the year	-	116,381	-	116,381	-	69,698	217	69,915
Final distributions for the year ended June 30, 2019 (including additional units) at the rate of Rs. 4.3249 per unit (Declared on June 27, 2019)	(27,716)	(76,621)	-	(104,337)	-	-	-	-
Net (loss) / income for the year less distribution	(52,850)	(3,894)	-	(56,744)	-	69,698	217	69,915
Net assets at end of the year	1,266,750	124,781	-	1,391,531	1,354,270	164,570	38	1,518,878
Undistributed income brought forward								
- Realised		166,783				116,258		
- Unrealised		(2,213)				4,516		
		164,570				120,774		
Adoption of IFRS 9		38				-		
Accounting income available for distribution								
- Relating to capital gains		-				-		
- Excluding capital gains		80,448				43,796		
		80,448				43,796		
Distributions during the year		(120,275)				-		
Undistributed income carried forward		124,781				164,570		
Undistributed income carried forward								
- Realised		133,163				166,783		
- Unrealised		(8,382)				(2,213)		
		124,781				164,570		
		(Rupees)				(Rupees)		
Net assets value per unit at beginning of the year		56.3297				53.7626		
Net assets value per unit at end of the year		53.8234				56.3297		

The annexed notes 1 to 26 form an integral part of these financial statements.


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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
Note	----- (Rupees in '000) -----	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the year before taxation	116,381	69,698
Adjustments for:		
Unrealised diminution on re-measurement of investments at fair value through profit or loss - net	8,382	2,213
Provision against Sindh Workers' Welfare Fund	2,375	1,422
	127,138	73,333
Decrease / (increase) in assets		
Investments - net	79,935	(243,741)
Profit receivable	(2,575)	(5,133)
Receivable against margin trading system	242,107	(224,588)
Advances, deposits, prepayments and other receivables	64,792	(52,718)
	384,259	(526,180)
Increase / (decrease) in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	354	(1,058)
Payable to Central Depository Company of Pakistan Limited - Trustee	(7)	(11)
Payable to the Securities and Exchange Commission of Pakistan	(3)	205
Dividend payable	14,367	-
Accrued expenses and other liabilities	531	(1,551)
	15,242	(2,415)
Net cash generated from / (used in) operating activities	526,639	(455,262)
CASH FLOWS FROM FINANCING ACTIVITIES		
Amount received against issuance of units	2,894,042	1,150,627
Amount paid against redemption of units	(3,017,495)	(1,423,891)
Distributions made during the year	(120,275)	-
Net cash used in financing activities	(243,728)	(273,264)
Net increase / (decrease) in cash and cash equivalents during the year	282,911	(728,526)
Cash and cash equivalents at the beginning of the year	616,193	1,344,719
Cash and cash equivalents at the end of the year	899,104	616,193

The annexed notes 1 to 26 form an integral part of these financial statements.


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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

1. LEGAL STATUS AND NATURE OF BUSINESS

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

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

The Fund is an open-end collective investment scheme categorised as an "Income" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 50 per unit. Thereafter, the units are being offered 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 Fund is listed on the Pakistan Stock Exchange Limited.

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

The Pakistan Credit Rating Agency Limited (PACRA) has assigned the asset manager a rating of "AM2++" (2018: AM2++) on April 08, 2019. The rating reflects the Company's experienced management team, structured investment process and sound quality of systems and processes.

Furthermore, Pakistan Credit Rating Agency Limited (PACRA) has maintained the stability rating of "A+" (f) to the Fund [2018: A+(f)] on June 27, 2019.

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

2. BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures and impact of IFRS 9 as disclosed in note 3.1.

	Effective from accounting period beginning on or after:
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue from Contracts with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

Certain annual improvements have also been made to a number of IFRSs.

2.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	Effective from accounting period beginning on or after:
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to References to the Conceptual Framework in IFRS Standards	January 01, 2020
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material	January 01, 2020

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Effective from accounting period beginning on or after:
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

2.4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgements and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

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

- Classification and valuation of investments (notes 3.1(a) and 5)
- Impairment of financial assets (note 3.1 (b))
- Taxation (notes 3.8 and 16)
- Classification and valuation of financial liabilities (notes 3.1(c))

The revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

2.5 Basis of measurement

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

2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency. Amounts presented in the financial statements have been round off for the nearest thousand rupees, unless otherwise stated.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except for the changes as explained in note 3.1 to these financial statements.

3.1 Impact of initial application of IFRS 9 Financial Instruments

- 3.1.1 During the current financial year, the Fund has applied IFRS 9 Financial Instruments issued in July 24, 2017 and the related consequential amendments to other IFRS Standards that are effective for an annual period ending on or after June 30, 2019 based on adoption date communicated by Securities and Exchange Commission of Pakistan. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities;
- 2) Impairment of financial assets; and
- 3) General hedge accounting

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

(a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

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

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt investments and equity investments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset:

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and
- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to undistributed income directly.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- there is no change in the measurement of the Fund's investments in sukuk certificates and term finance certificates that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- there is no change in the measurement of the Fund's investments in government securities that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- financial assets classified as loans and receivables under IAS 39 that were measured at amortised cost using effective interest rate method continue to be measured at amortised cost under the new classification of IFRS 9 as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding; and
- the Fund's investments in government securities that were previously classified as available-for-sale financial assets and were measured at fair value at each reporting date under IAS 39 have been reclassified as at FVTPL. The change in fair value on these investments will be recognised in the income statement;

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund has been performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors is in the form of net asset value (NAV). The investment portfolio of financial assets is also managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

None of the other reclassifications of financial assets have had any impact on the Fund's statement of assets and liabilities, income statement, other comprehensive income or total comprehensive income in either year.

(b) Impairment of financial assets

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9 on debt securities.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

(c) Classification and measurement of financial liabilities

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the fund does not have any financial liabilities designated as FVTPL.

(d) Disclosures in relation to the initial application of IFRS 9

The table below shows impact of change in accounting policies due to adoption of IFRS 9:

Financial assets and financial liabilities	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 as on June 30, 2018	Carrying amount on initial adoption of IFRS 9 on July 01, 2018	Effect on July 01, 2018 on Retained Earnings
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Financial assets

Bank balances	LR	AC	616,193	616,193	-
Government securities - Pakistan investment bonds	AFS	FVTPL	7,462	7,462	38
Government securities - Treasury bills	HFT	FVTPL	34,621	34,621	-
Term Finance Certificates	HFT	FVTPL	324,393	324,393	-
Sukuks Certificates	HFT	FVTPL	214,180	214,180	-
Profit receivable	LR	AC	17,401	17,401	-
Other receivables	LR	AC	7,065	7,065	-

Financial liabilities

Payable to the Management Company	OFL	AC	1,287	1,287	-
Payable to the Trustee	OFL	AC	175	175	-
Payable against purchase of investments	OFL	AC	47	47	-
Accrued expenses and other liabilities	OFL	AC	1,195	1,195	-

- "LR" is loans and receivables
- "AC" is amortised cost
- "HFT" is held for trading
- "FVTPL" is fair value through profit or loss
- "OFL" is other financial liabilities

3.1.2 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV / PKISRV rates) which are based on the remaining tenor of the securities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

3.1.3 Transition to IFRS 9 Financial Instruments

Accounting policies applied to financial instruments prior to July 01, 2018.

Classification

The Fund classifies its financial assets in the following categories: 'at fair value through profit or loss', loans and receivables, and 'available for sale'. The classification depends on the purpose for which the financial assets were acquired. The management determines the appropriate classification of its financial assets at the time of initial recognition and re-evaluates this classification on a regular basis.

(a) Investments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

All derivatives in a net receivable position (positive fair value), are reported as financial assets held for trading. All derivatives in a net payable position (negative fair value), are reported as financial liabilities held for trading.

(b) Loans and receivables

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

(c) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned above.

Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the Income Statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to Income Statement through other comprehensive income.

Financial assets classified as 'loans and receivables' are carried at amortised cost using the effective yield method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective yield method.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

3.2 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, which are readily convertible to known amounts of cash, are subject to an insignificant risk of changes in value.

3.3 Provisions

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

3.4 Financial liabilities

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

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

3.5 Offsetting of financial assets and liabilities

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

3.6 Taxation

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

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

3.7 Dividend distribution and appropriations

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

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

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

3.10 Issue and redemption of units

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

3.11 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 issue at the year end.

3.12 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.
- Income / profit from bank balances, investments in term finance certificates / sukuks, MTS transactions and government securities is recognised on a time proportionate basis using effective interest rate method.

3.13 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.

3.14 Transaction Cost

Transaction costs incurred to acquire assets at FVTPL are immediately recognised as expense in the Income Statement.

3.15 Earnings per unit

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

3.16 Margin Trading System

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

	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
4. BANK BALANCES			
In saving accounts	4.1	885,953	613,869
In current accounts	4.2	<u>13,151</u>	<u>2,324</u>
		<u>899,104</u>	<u>616,193</u>

4.1 These carry profit at the rates ranging between 10% to 13% (2018: 3.75% to 8.10%) per annum and include Rs 3.022 million (2018: Rs 0.552 million) maintained with MCB Bank Limited (a related party) which carries profit at the rate of 10.25% (2018: 3.75%) per annum and Rs 4.78 million maintained with Silkbank Limited (a related party) which carries profit at the rate of 10.25% (2018: 7.5%) per annum.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
5. INVESTMENTS			
Financial assets 'at fair value through profit or loss' - net			
Government securities	5.1.1	-	42,083
Term Finance Certificates	5.1.2 & 5.1.3	297,732	324,393
Sukuks Certificates	5.1.4 & 5.1.5	194,607	214,180
		492,339	580,656

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

5.1.1 Government securities

5.1.1.1 Market treasury bills

Particulars	Issue Date	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2019	Carrying value	Market value		
----- (Rupees in '000) -----										
Treasury bills - 3 months	07-Jun-18	35,000	-	-	35,000	-	-	-	-	-
Treasury bills - 3 months	02-Aug-18	-	35,000	-	35,000	-	-	-	-	-
Treasury bills - 3 months	11-Oct-18	-	35,000	35,000	-	-	-	-	-	-
Treasury bills - 3 months	06-Dec-18	-	10,000	-	10,000	-	-	-	-	-
Treasury bills - 3 months	14-Feb-19	-	10,000	-	10,000	-	-	-	-	-
Treasury bills - 3 months	11-Apr-19	-	10,000	10,000	-	-	-	-	-	-
Treasury bills - 3 months	09-May-19	-	650,000	650,000	-	-	-	-	-	-
Treasury bills - 3 months	09-May-19	-	675,000	675,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	875,000	875,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	350,000	350,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	450,000	450,000	-	-	-	-	-	-
Treasury bills - 3 months	23-May-19	-	50,000	50,000	-	-	-	-	-	-
Treasury bills - 6 months	23-May-19	-	300,000	300,000	-	-	-	-	-	-
Total as at June 30, 2019										
Total as at June 30, 2018						34,617	34,621	4		

5.1.1.2 Pakistan investment bonds

Particulars	Issue Date	Face value				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2018	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2019	Carrying value	Market value		
----- (Rupees in '000) -----										
Pakistan Investment Bond - 10 years	30-Aug-08	7,400	-	-	7,400	-	-	-	-	-
Pakistan Investment Bond - 10 years	09-Aug-18	-	50,000	50,000	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	09-Aug-18	-	100,000	100,000	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	09-Aug-18	-	50,000	50,000	-	-	-	-	-	-
Pakistan Investment Bond - 10 years	09-Aug-18	-	26,000	26,000	-	-	-	-	-	-
Total as at June 30, 2019										
Total as at June 30, 2018						7,424	7,462	38		

	Note	June 30, 2019	June 30, 2018
		----- (Rupees in '000) -----	
5.1.2 Listed debt securities - term finance certificates			
Market value as at June 30	5.1.2.1	134,378	151,864
Less: Provision as at July 1			
- Pace Pakistan Limited	5.3	(49,940)	(49,940)
- Telecard Limited		(31,088)	(31,088)
- Trust Investment Bank Limited		(18,743)	(18,743)
		(99,771)	(99,771)
Less: Provision charged during the year			
- Reversal against carrying value matured		-	-
- Charge against face value receivable		-	-
		34,607	52,093

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5.1.2.1 Listed debt securities - Term finance certificates

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

Name of investee company	Number of certificates				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size	
	As at July 1, 2018	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2019	Carrying value	Market value				Unrealised appreciation / (diminution)
----- (Rupees in '000) -----											
Commercial Bank											
Bank Alfalah Limited	10,381	-	3,443	-	6,938	34,801	34,607	(194)	2.49	7.03	0.14
Investment Banks / Investment Companies / Securities Companies											
Trust Investment Bank Limited											
- Due but not received	10,000	-	-	-	10,000	-	18,743	-	-	-	-
Miscellaneous											
Pace Pakistan Limited											
- Due but not received	10,000	-	-	-	10,000	-	49,940	-	-	-	-
Technology & Communication											
Telecard Limited											
- Due but not received	19,975	-	-	-	19,975	-	31,088	-	-	-	-
Total as at June 30, 2019						34,801	134,378	(194)			
Total as at June 30, 2018						53,280	151,864	(1,187)			

5.1.2.2 Significant terms and conditions of term finance certificates outstanding as at June 30, 2019 are as follows:

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

5.1.3 Unlisted debt securities - Term finance certificates

Certificates have a face value of Rs 5,000 each

Name of investee company	Number of certificates				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size	
	As at July 1, 2018	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2019	Carrying value	Market value				Unrealised appreciation / (diminution)
----- (Rupees in '000) -----											
Commercial Banks											
Askari Bank Limited	19,000	-	-	-	19,000	94,865	92,368	(2,497)	6.64	18.76	0.48
Bank AL Habib Limited	15,500	-	15,500	-	-	-	-	-	-	-	-
The Bank of Punjab	-	650	-	-	650	64,974	61,472	(3,502)	4.42	12.49	0.02
Investment Banks / Investment Companies / Securities Companies											
Jahangir Siddiqui & Company Limited	20,000	2,000	-	-	22,000	109,997	109,285	(712)	7.85	22.20	1.47
Total as at June 30, 2019						269,836	263,125	(6,710)			
Total as at June 30, 2018						273,130	272,300	(830)			

5.1.3.1 Significant terms and conditions of term finance certificates outstanding as at June 30, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Commercial Banks				
Askari Bank Limited	6 months KIBOR + 1.20%	30-Sep-14	30-Sep-24	AA-
Bank AL Habib Limited	6 months KIBOR + 0.75%	17-Mar-16	17-Mar-26	AA
The Bank of Punjab	6 months KIBOR + 1.25%	23-Apr-18	23-Apr-28	AA-
Investment Banks / Investment Companies / Securities Companies				
Jahangir Siddiqui & Company Limited	6 months KIBOR + 1.40%	6-Mar-18	6-Mar-23	AA+

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

5.1.4 Listed debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size	
	As at July 1, 2018	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2019	Carrying value	Market value				Unrealised appreciation / (diminution)
	----- (Rupees in '000) -----							----- (%) -----			
Dawood Hercules Corporation Limited	1,000	-	-	-	1,000	90,180	89,704	(476)	6.45	18.22	0.02
Dawood Hercules Corporation Limited	250	-	-	-	250	25,016	24,950	(66)	1.79	5.07	0.00
Total as at June 30, 2019						115,196	114,654	(542)			
Total as at June 30, 2018						125,000	125,216	216			

5.1.4.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Dawood Hercules Corporation Limited	3 months KIBOR + 1.00%	16-Nov-17	16-Nov-22	AA
Dawood Hercules Corporation Limited	3 months KIBOR + 1.00%	1-Mar-18	1-Mar-23	AA

5.1.5 Unlisted debt securities - Sukuk certificates

Certificates have a face value of Rs 100,000 each

Name of investee company	Number of certificates				As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investments	Investment as a percentage of total issue size	
	As at July 1, 2018	Purchased during the year	Sold during the year	Matured during the year	As at June 30, 2019	Carrying value	Market value				Unrealised appreciation / (diminution)
	----- (Rupees in '000) -----							----- (%) -----			
Chemical											
Ghani Gases Limited	480	-	-	-	480	29,973	30,071	97	2.16	6.11	0.04
Oil and Gas											
Byco Petroleum Pakistan Limited	10	-	-	-	10	915	908	(8)	0.07	0.18	0.00
Miscellaneous											
International Brands Limited	500	-	-	-	500	50,000	48,975	(1,025)	3.52	9.95	0.02
Total as at June 30, 2019						80,888	79,953	(935)			
Total as at June 30, 2018						89,380	88,964	(416)			

5.1.5.1 Significant terms and conditions of Sukuk certificates outstanding as at June 30, 2019 are as follows:

Name of the Issuer	Mark-up rate (per annum)	Issue date	Maturity date	Rating
Chemical				
Ghani Gases Limited	3 months KIBOR + 1.00%	2-Feb-17	2-Feb-23	A
Oil and Gas				
Byco Petroleum Pakistan Limited	3 months KIBOR + 1.05%	18-Jan-17	18-Jan-22	AAA
Miscellaneous				
International Brands Limited	12 months KIBOR + 0.50%	15-Nov-17	15-Nov-21	AA

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
5.2 Net unrealised appreciation in value of investments at fair value through profit or loss			
Market value as at June 30 - net of provision	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	492,339	580,656
Carrying value as at June 30 - net of provision	5.1.1, 5.1.2, 5.1.3, 5.1.4 & 5.1.5	<u>(500,721)</u>	<u>(575,407)</u>
		<u>(8,382)</u>	<u>(2,213)</u>

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

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

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

Owing to continuous default on repayment of coupon by the issuer, the Fund had classified the said investment as non-performing. The Fund has recognised full provision against outstanding principal in accordance with applicable provisioning circular issued by the Securities and Exchange Commission of Pakistan and provisioning policy of the Fund duly approved by the Board of Directors of the Management Company. The Fund has suspended further accrual of mark-up there against.

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
6. PROFIT RECEIVABLE		
Profit receivable on:		
Deposits with banks	3,782	3,790
Term finance certificates and sukuk certificates	16,194	12,345
Government securities	-	298
Margin trading system (MTS)	-	968
	<u>19,976</u>	<u>17,401</u>

7. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Advance tax	4,183	4,169
Security deposit with National Clearing Company of Pakistan Limited	2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited	200	200
Advance against IPO subscription	-	65,000
Receivable from National Clearing Company of Pakistan Limited	8,664	7,060
Security Deposits Against MTS	-	1,603
Prepayments	380	188
Others	6	5
	<u>15,933</u>	<u>80,725</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
8. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration payable	8.1	1,410	963
Sindh sales tax payable on management remuneration	8.2	184	126
Sales load payable		58	202
Payable against allocated expenses	8.3	115	122
		1,767	1,413

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

8.2 Sindh Sales Tax on management fee has been charged at 13% (2018: 13%).

8.3 Up till June 19, 2019, in accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company 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 less. During the year, SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019, has removed the maximum cap of 0.1%. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund, from July 01, 2018 to June 19, 2019 and actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE			
Trustee remuneration payable	9.1	169	175
Sindh sales tax on remuneration of the Trustee	9.2	22	23
		191	198

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

Net Assets Value (NAV)	Tariff per annum
Up to Rs 1,000 million	Rs 0.6 million or 0.17% per annum of net assets, whichever is higher.
On an amount exceeding Rs 1,000 million upto Rs 5,000 million	Rs 1.7 million plus 0.085% per annum of net assets exceeding Rs. 1,000 million.
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of Net Assets exceeding Rs. 5,000 million

9.2 Sindh Sales Tax at 13% (2018: 13%) is charged on Trustee fee.

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN			
Annual fee payable to the SECP	10.1	1,121	1,124

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
11. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision against Sindh Workers' Welfare Fund	11.1	6,633	4,258
Provision for Federal Excise Duty and related tax on			
- Management fee	11.2	9,210	9,210
- Sales load		239	239
Legal and professional charges		75	68
Withholding tax on capital gains		146	65
Auditors' remuneration		372	426
Brokerage		70	38
Sindh sales tax payable on allocated expenses		-	455
Others		1,583	663
		18,328	15,422

11.1 Provision for Sindh Workers' Welfare Fund (SWWF)

The Supreme Court of Pakistan passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP instructed to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2019 is Rs. 6.633 million. Had this provision not been made, the NAV of the Fund would have been higher by Re.0.2566 per unit (June 30, 2018 Re.0.1579 per unit).

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD / AMCW / MUFAP / 2017 - 405 dated February 01, 2017.

11.2 Federal Excise Duty and related tax payable

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

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

On July 16, 2016, 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and sales load with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2019 aggregates to Rs. 9.210 (2018: Rs. 9.210) 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, 2019 would have been higher by Rs. 0.3563 (2018: Rs.0.3416) per unit.

12. CONTINGENCIES AND COMMITMENTS

There were no contingencies and / or commitments as at June 30, 2019 and June 30, 2018 except as disclosed below:

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
12.1 Commitments		
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the sale transactions not settled as at year end	-	19,640
Margin Trading System (MTS) transactions entered into by the Fund in respect of which the purchase transactions not settled as at year end	-	76,327

13. MARKUP / RETURN ON INVESTMENTS

Government Securities	11,583	4,120
Term Finance Certificates	36,714	16,711
Sukuk Certificates	22,258	12,660
Term Deposit Receipts	-	9,126
	70,555	42,617

14. AUDITORS' REMUNERATION

Annual audit fee	318	318
Half yearly review fee	181	181
Other certification and services	50	114
Out of pocket expenses	96	129
	645	742

15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2019 is 1.75% which includes 0.35% representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, annual fee to the SECP, Laga and Levy charges etc. This ratio is within the maximum limit of 2.5% (2018: 2%) prescribed (excluding government levies) under the NBFC Regulations for a collective investment scheme categorised as an Income scheme.

16. TAXATION

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

17. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any entity in which the Management Company, its CISs or their connected persons have material interest, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors and their close family members, key management personnel and officers of the Management Company.

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

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

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

17.1 Transactions during the period with connected persons / related parties in units of the Fund:

	For the year ended June 30, 2019				For the year ended June 30, 2018			
	As at July 01, 2018	Issued for cash	Redeemed	As at June 30, 2019	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018
	----- Units ----- (Rupees in '000) -----							
Adamjee Life Assurance Company Limited - Employees Gratuity Fund	-	165,117	79,367	85,750	-	8,882	4,612	4,615
Nishat Mills Limited	-	6,283,645	6,283,645	-	-	342,400	344,723	-
Directors and key management personnel of the Management Company	4,294	56,858	61,152	-	242	3,219	3,506	-
Mandate under discretionary portfolio services	307,168	7,808,722	8,088,645	27,245	17,303	438,896	456,349	1,466
	----- Units ----- (Rupees in '000) -----							
Key management personnel	99,181	4,303	99,190	4,294	532	241	5,384	242
Mandate under discretionary portfolio services	539	456,709	150,080	307,168	-	25,201	8,257	17,303

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company (including indirect taxes)	16,526	23,416
Allocated expenses and related taxes	1,495	1,693
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	2,397	2,400
CDS charges	196	340
Arif Habib Limited - Subsidiary of Associated Company		
Brokerage expense *	-	3
MCB Bank Limited - Parent of the Management Company		
Profit on Bank deposits	445	75
Bank charges	35	20
Next Capital Limited - Joint Venture of MCB Bank Limited & Arif Habib Corporation Limited		
Brokerage expense *	5	9
Silk Bank Limited - Common Directorship		
Mark-up on deposit accounts	44,309	11,367
Bank charges	62	30
Adamjee Life Assurance Company Limited - Employees Gratuity Fund - Group Company of Parent Company		
Issue of 165,117 units (2018: Nil units)	8,882	-
Redemption of 79,367 units (2018: NIL units)	4,612	-
Power Cement Limited - Common Directorship		
Purchase of NIL (2018: 4,000) shares	-	39
Sale of NIL (2018: 4,000) shares	-	39
Fatima Fertilizer Company Limited - Group Company of Associated Company		
Purchase of NIL (2018: 500) shares	-	16
Sale of NIL (2018: 500) shares	-	16
Nishat (Chunian) Limited - Group Company of Parent Company		
Purchase of NIL (2018: 197,500) shares	-	10,014
Sale of NIL (2018: 197,500) shares	-	10,075
Dividend income	-	8
Mandate under discretionary portfolio		
Issue of 7,808,722 units (2018: 456,709 units)	438,896	25,201
Redemption of 8,088,645 units (2018: 150,080 units)	456,349	8,257
D.G. Khan Cement Company Limited - Group Company of Parent Company		
Purchase of NIL (2018: 573,500) shares	-	85,876
Sale of NIL (2018: 573,500) shares	-	86,258
Aisha Steel Limited - Group Company of Associated Company		
Purchase of Nil (2018: 72,500) shares	-	1,507
Sale of Nil (2018: 72,500) shares	-	1,516
Nishat Mills Limited - Group Company of Parent Company		
Purchase of Nil (2018: 12,000) shares	-	1,829
Sale of Nil (2018: 12,000) shares	-	1,840
Issue of 6,283,645 units (2018: Nil units)	342,400	-
Redemption of 6,283,645 units (2018: Nil units)	344,723	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Directors and Executives of the Management Company		
Issue of 56,858 units (2018: 4,303 units)	3,219	241
Redemption of 61,151 units (2018: 99,190 units)	3,506	5,384
17.3 Details of balances with related parties / connected persons as at year end		
MCB-Arif Habib Savings and Investments Limited - Management Company		
Management remuneration payable	1,410	963
Sindh sales tax payable on management remuneration	184	126
Sales load payable	58	202
Payable against allocated expenses	115	122
Central Depository Company of Pakistan Limited - Trustee		
Trustee remuneration payable	169	175
Sindh sales tax payable on Trustee remuneration	22	23
Security deposit	200	200
MCB Bank Limited - Parent of the Management Company		
Bank balance	16,173	2,876
Profit receivable on bank deposits	167	5
Sales load payable	1,068	-
Silk Bank Limited - Common Directorship		
Bank balance	4,780	274,323
Profit receivable	33	1,812
Next Capital Limited - Joint Venture of MCB & Arif Habib		
Brokerage payable *	5	9
Arif Habib Limited - Subsidiary of Associated Company		
Brokerage payable *	-	3
Adamjee Life Assurance Company Limited - employees gratuity fund - Group Company of Parent Company		
Outstanding 85,750 units (2018: Nil units)	4,615	-
Directors and key management personnel of the Management Company		
Outstanding NIL units (2018: 4,294 units)	-	242
Mandate under discretionary portfolio		
Outstanding 27,245 units (2018: 307,168 units)	1,466	17,303

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

18

FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

The following table shows financial instruments recognized at fair value, 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).

The following table shows the carrying amounts of fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

	June 30, 2019				
	Carrying amount		Fair Value		
	Fair value through profit or loss	Fair value through other comprehensive income	Amortized cost	Total	
					Level 1
					Level 2
					Level 3
					Total
----- (Rupees in '000) -----					
Financial assets measured at fair value					
Government securities	-	-	-	-	-
Term Finance Certificates	297,732	-	-	297,732	297,732
Sukuks Certificates	194,607	-	-	194,607	194,607
	492,339	-	-	492,339	492,339

Financial assets not measured at fair value

Bank balances	-	-	899,104	899,104
Profit receivable	-	-	19,976	19,976
Other receivables	-	-	8,670	8,670
	-	-	927,750	927,750

Financial liabilities not measured at fair value

Payable to the Management Company	-	-	1,583	1,583
Payable to the Trustee	-	-	169	169
Payable against redemption of units	-	-	47	47
Accrued expenses and other liabilities	-	-	2,100	2,100
	-	-	3,899	3,899

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2019**

June 30, 2018

	Carrying amount		Fair Value					
	Fair value through profit or loss - held for trading	Available for sale	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----								
Financial assets measured at fair value								
Government securities	34,621	7,462	-	42,083	-	42,083	-	42,083
Term Finance Certificates	324,393	-	-	324,393	-	324,393	-	324,393
Sukuks Certificates	214,180	-	-	214,180	-	214,180	-	214,180
	573,194	7,462	-	580,656	-	580,656	-	580,656
Financial assets not measured at fair value								
Bank balances	-	-	616,193	616,193				
Receivable against margin trading system	-	-	242,107	242,107				
Profit receivable	-	-	17,401	17,401				
Other receivables	-	-	7,065	7,065				
	-	-	882,766	882,766				
Financial liabilities not measured at fair value								
Payable to the Management Company	-	-	1,287	1,287				
Payable to the Trustee	-	-	175	175				
Payable against redemption of units	-	-	47	47				
Accrued expenses and other liabilities	-	-	1,195	1,195				
	-	-	2,704	2,704				

During the year ended June 30, 2019, there were no transfers between levels fair value measurements, and no transfer into and out of level 3 fair value measurements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

19. FINANCIAL RISK MANAGEMENT

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

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

19.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and the 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 price risk.

19.1.1 Currency risk

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

19.1.2 Yield / Interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. As of June 30, 2019, the Fund is exposed to such risk on bank balances, investments in term finance certificates and sukuk certificates. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, 2019 details of Fund's interest bearing financial instruments were as follows:

	Note	June 30, 2019	June 30, 2018
-----Rupees-----			
Variable rate instrument (financial asset)			
Bank balance	4	885,953	613,869
Term finance certificates	5.1.2 & 5.1.3	297,732	324,393
Sukuks certificates	5.1.4 & 5.1.5	194,607	214,180
		1,378,292	1,152,442
Fixed rate instruments (financial assets)			
Government securities	5.1.1	-	42,083
		-	42,083

a) Sensitivity analysis for variable rate instrument

Presently, the Fund holds KIBOR based term finance and sukuks certificates and balances with banks which expose the Fund to cash flow interest rate risk. In case of 100 basis points increase/decrease in applicable rates on the last repricing date with all other variables held constant, the net income / loss for the year and net assets of the Fund would have been higher/lower by Rs 13.78 million (2018: Rs 11.52 million).

b) Sensitivity analysis for fixed rate instruments

As at June 30, 2019, the Fund does not hold fixed rate instruments exposing the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2019, the net income for the year and net assets would be lower / higher by Rs. Nil (2018: Rs. 0.42 million).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Yield / interest rate sensitivity position for on-balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the Fund investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2019 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2019 can be determined as follows:

Particulars	As at June 30, 2019					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Bank balances	10 to 13	885,953	-	-	13,151	899,104
Investments	11.03 to 12.50	-	-	492,339	-	492,339
Profit receivable		-	-	-	19,976	19,976
Other receivables		-	-	-	8,670	8,670
Sub total		885,953	-	492,339	41,797	1,420,089
Financial liabilities						
Payable to the Management Company		-	-	-	1,583	1,583
Payable to the Trustee		-	-	-	169	169
Payable against redemption of units		-	-	-	47	47
Accrued expenses and other liabilities		-	-	-	2,100	2,100
Sub total		-	-	-	3,899	3,899
On-balance sheet gap		885,953	-	492,339	37,898	1,416,190
Total interest rate sensitivity gap		885,953	-	492,339	37,898	1,416,190
Cumulative interest rate sensitivity gap		885,953	885,953	1,378,292		

Particulars	As at June 30, 2018					Total
	Effective yield / interest rate	Exposed to yield / interest risk			Not exposed to yield / interest rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupees in '000)				
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75 to 8.10	613,869	-	-	2,324	616,193
Investments:	6.64 to 9.22	42,083	-	538,573	-	580,656
Receivable against margin trading system		-	-	-	242,107	242,107
Profit receivable		-	-	-	17,401	17,401
Other receivables		-	-	-	7,065	7,065
Sub total		655,952	-	538,573	268,897	1,463,422
Financial liabilities						
Payable to the Management Company		-	-	-	1,287	1,287
Payable to the Trustee		-	-	-	175	175
Payable against redemption of units		-	-	-	47	47
Accrued expenses and other liabilities		-	-	-	1,195	1,195
Sub Total		-	-	-	2,704	2,704
On-balance sheet gap		655,952	-	538,573	266,193	1,460,718
Total interest rate sensitivity gap		655,952	-	538,573	266,193	1,460,718
Cumulative interest rate sensitivity gap		655,952	655,952	1,194,525		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

19.1.3 Price risk

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

19.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on investments in term finance certificates and sukuk certificates, bank balances and other financial assets at amortised cost. The credit risk on the fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

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

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

The Fund's maximum exposure to credit risk is the carrying amounts of following financial assets.

	June 30, 2019		June 30, 2018	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
----- (Rupees in '000) -----				
Bank balances	899,104	899,104	616,193	616,193
Investments	492,339	492,339	580,656	538,573
Receivable against margin trading system	-	-	242,107	242,107
Profit receivable	19,976	19,976	17,401	17,103
Advances, deposits and other receivables	11,370	11,370	76,368	76,368
	<u>1,422,789</u>	<u>1,422,789</u>	<u>1,532,725</u>	<u>1,490,344</u>

The analysis below summaries the credit rating quality of the Fund's financial assets with banks as at June 30, 2019.

Bank Balances by rating category

Rating	June 30, 2019		June 30, 2018	
	Rupees in '000	%	Rupees in '000	%
AAA	883,439	98.26	3,287	0.54
AA+	7,752	0.86	55,585	9.02
AA-	2,352	0.26	12	-
AA	12	-	7	-
A+	640	0.07	150,534	24.43
A-	4,780	0.53	274,323	44.52
A	129	0.02	132,445	21.49
	<u>899,104</u>	<u>100.00</u>	<u>616,193</u>	<u>100.00</u>

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

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all deposits with NCCPL and CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to deposits.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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.

19.3 Liquidity risk

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

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

The table below analyses the Fund's financial assets and 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, 2019	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	More than 5 years	Total
----- Rupees in '000 -----						
Financial assets						
Bank balances	899,104	-	-	-	-	899,104
Investments	-	-	-	338,499	153,840	492,339
Profit receivable	19,976	-	-	-	-	19,976
Other receivables	8,670	-	-	-	-	8,670
	927,750	-	-	338,499	153,840	1,420,089
Financial liabilities						
Payable to the Management Company	1,583	-	-	-	-	1,583
Payable to the Trustee	169	-	-	-	-	169
Payable against redemption of units	47	-	-	-	-	47
Accrued expenses and other liabilities	2,100	-	-	-	-	2,100
	3,899	-	-	-	-	3,899
	923,851	-	-	338,499	153,840	1,416,190
June 30, 2018						
----- Rupees in '000 -----						
Financial assets						
Bank balances	616,193	-	-	-	-	616,193
Investments	-	42,083	-	366,345	172,228	580,656
Receivable against marginal trading system	242,107	-	-	-	-	242,107
Profit receivable	17,401	-	-	-	-	17,401
Advances, deposits and other receivables	7,065	-	-	-	-	7,065
	882,766	42,083	-	366,345	172,228	1,463,422
Financial liabilities						
Payable to the Management Company	1,287	-	-	-	-	1,287
Payable to the Trustee	175	-	-	-	-	175
Payable against redemption of units	47	-	-	-	-	47
Accrued expenses and other liabilities	1,195	-	-	-	-	1,195
	2,704	-	-	-	-	2,704
	880,062	42,083	-	366,345	172,228	1,460,718

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

20. PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

Name	Designation	Experience in years	Qualification
Muhammad Saqib Saleem	Chief Executive Officer	22	FCA & FCCA
Muhammad Asim	Chief Investment Officer	16	MBA & CFA
Awais Abdul Sattar	Head of Research	8	MBA & CFA
Saad Ahmed	Head of Fixed Income	14	MBA
Syed Mohammad Usama Iqbal	Fund Manager	16	B.Com, Master in Economics

20.1 Syed Mohammad Usama Iqbal is the Manager of the Fund who also manages Alhamra Islamic Income Fund.

21. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2019 (Percentage)
1 JS Global Capital Limited	49.06
2 Invest One Markets (Private) Limited	20.05
3 Continental Exchange (Private) Limited	11.4
4 BMA Capital Management Limited	10.9
5 Next Capital Limited	8.08
6 BIPL Securities Limited	0.51
	June 30, 2018 (Percentage)
1 Adam Securities (Private) Ltd	20.02
2 IGI Securities Finex Ltd	19.97
3 Mutiline Securities (Private) Ltd	16.53
4 BIPL Securities Limited	10
5 MRA Securities Limited	7.43
6 Aba Ali Habib Securities Ltd	5.43
7 Top Line Securities (Private) Ltd	4.74
8 JS Global Capital Limited	3.65
9 Al Falah Securities (Private) Ltd	3.03
10 Intermarket Securities Ltd	2.93

22. PATTERN OF UNIT HOLDING

	As at June 30, 2019			
	Number of unit holders	Number of units	Investment amount	Percentage investment
	(Rupees in '000)			%
Individuals	1,160	16,717,034	899,768	64.66
Associated company	1	85,750	4,615	0.33
Insurance companies	10	4,551,052	244,953	17.6
Retirement funds	40	2,577,369	138,723	9.97
Others	48	1,922,428	103,472	7.44
	1,259	25,853,633	1,391,531	100
	As at June 30, 2018			
	Number of unit holders	Number of units	Investment amount	Percentage investment
	(Rupees in '000)			%
Individuals	911	10,317,781	581,198	38.27
Insurance companies	10	4,110,542	231,546	15.24
Retirement funds	42	8,819,517	496,801	32.71
Others	37	3,716,212	209,333	13.78
	1,000	26,964,052	1,518,878	100

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

23. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 143rd, 144th, 145th, 146th, 147th, 148th, 149th and 150th meeting of the Board of Directors were held on August 17, 2018, September 14, 2018, October 22, 2018, October 26, 2018, April 15, 2019, April 19, 2019, June 17, 2019 and June 27, 2019 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

Name of persons attending the meetings	Designation	Number of Meetings Held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave Granted	
Mian Muhammad Mansha	Chairman	8	8	2	6	143 rd , 145 th , 146 th , 147 th , 149 th & 150 th
Nasim Beg	Director	8	8	8	-	-
Ahmed Jahangir	Director	8	8	8	-	-
Samad A. Habib	Director	8	8	6	2	145 th , 150 th
Dr. Syed Salman Ali Shah *	Director	8	6	6	-	-
Haroun Rashid	Director	8	8	5	3	143 rd , 145 th , 149 th
Mirza Qamar Beg	Director	8	8	8	-	-
Muhammad Saqib Saleem	Chief Executive Officer	8	8	8	-	-

* Resigned on June 10, 2019

24. 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 endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption, such liquidity being augmented by disposal of investments.

25. CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements, other than those resulting from changes as disclosed in the note 3.1.

26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 13, 2019 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2019**

No. of Unit Holders	Unit Holdings	Total Units Held
940	0-10000	1,442,627
272	10001 – 100000	9,231,640
46	100001 – 1000000	13,847,136
1	1000001 onwards	1,332,230
<hr/> 1,259 <hr/>		<hr/> 25,853,633 <hr/>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2019

Performance Information	2019	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	1,392	1,519	1,722	1,050	1,131
Net Assets value per unit – Rupees	53.8234	56.3297	53.7626	53.61	53.42
Closing Offer Price	55.0398	57.6028	54.9776	55.07	54.88
Closing Repurchase Price	53.8234	56.3297	53.7626	53.61	53.42
Highest offer price per unit	59.4166	57.6028	58.5767	58.30	59.73
Lowest offer price per unit	55.0086	54.9843	54.75	54.90	53.49
Highest Redemption price per unit	58.1035	56.3297	57.22	56.80	58.14
Lowest Redemption price per unit	53.7929	53.7691	53.51	53.50	52.06
Distribution per unit – Rs. *	6.8760	Nil	3.54	3.10	4.50
Average Annual Return - %					
One year	8.13	4.77	6.90	6.14	11.31
Two year	6.45	5.84	6.52	8.73	9.72
Three year	6.60	5.94	8.12	8.53	8.87
Net Income for the year – Rs. in million	116.38	69.70	69.019	59.68	114.74
Distribution made during the year – Rs. in million	173.12	-	65.255	56.37	84.89
Accumulated Capital Growth – Rs. in million	(56.7)	69.698	3.764	3.31	29.85
Weighted average Portfolio Duration (years)	1.5	1.9	1.0	2.3	2.10

* Date of Distribution

2018	
Date	Rate
-	Nil

2019	
Date	Rate
July 04, 2018	2.55
June 27, 2019	4.32

2016	
Date	Rate
June 27, 2016	3.1

2017	
Date	Rate
June 19, 2017	3.54

2015	
Date	Rate
June 22, 2015	4.50

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

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