



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

# ANNUAL REPORT 2021

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



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# **Vision**

To become synonymous with Savings

# **Mission**

To become a preferred Saving and Investment Manager in the domestic and regional markets while maximizing stakeholders' value

# **Core Values**

The Company takes pride in its orientation towards client service. it believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

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## CONTENTS

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01	MCB DCF Income Fund	03
02	Pakistan Income Fund	57
03	MCB Pakistan Sovereign Fund	114
04	Pakistan Income Enhancement Fund	168
05	Pakistan Cash Management Optimizer	221
06	MCB Cash Management Fund	271
07	MCB Pakistan Stock Market Fund	317
08	ALHAMRA Islamic Stock Fund	371
09	MCB Pakistan Asset Allocation Fund	426
10	Pakistan Capital Market Fund	486
11	ALHAMRA Islamic Asset Allocation Fund	540
12	ALHAMRA Islamic Income Fund	592
13	ALHAMRA Islamic Active Allocation Fund	643
14	MCB Pakistan Frequent Payout Fund	717
15	ALHAMRA Daily Dividend Fund	770

# **MCB DCF INCOME FUND**



## **TABLE OF CONTENTS**

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<b>1</b>	<b>Fund's Information</b>	<b>05</b>
<b>2</b>	<b>Report of the Director of the Management Company</b>	<b>06</b>
<b>3</b>	<b>Report of the Fund Manager</b>	<b>17</b>
<b>4</b>	<b>Trustee Report to the Unit Holders</b>	<b>19</b>
<b>5</b>	<b>Independent Auditor's Report to the Unit Holders</b>	<b>20</b>
<b>6</b>	<b>Statement of Assets and Liabilities</b>	<b>23</b>
<b>7</b>	<b>Income Statement</b>	<b>24</b>
<b>8</b>	<b>Statement of Other Comprehensive Income</b>	<b>25</b>
<b>9</b>	<b>Statement of Movement in Unit Holder's Fund</b>	<b>26</b>
<b>10</b>	<b>Cash Flow Statement</b>	<b>27</b>
<b>11</b>	<b>Notes to and Forming Part of the Financial Statements</b>	<b>28</b>
<b>12</b>	<b>Pattern of Units Holding by Size</b>	<b>55</b>
<b>13</b>	<b>Performance Table</b>	<b>56</b>

## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Silk 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 Finca Micro Finance Bank Limited JS Bank Limited Zarai Traqiati Bank Limited Habib Bank Limited First Mirco Finance Bank Limited National Bank of Pakistan	
<b>Auditors</b>	<b>A.F. Ferguson &amp; Co.</b> Chartered Accountants (A Members Firm of PWC Network) Sate Life Building 1-C, I.I Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM1</b> Asset Manager Rating assigned by PACRA	

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

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## Dear Investor,

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

## Economy and Money Market Review

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

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

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

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

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

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

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 6.66 per cent as against its benchmark return of 7.71 per cent. The WAM of the fund increased to 1.5 years because of interest rate outlook which was on a dropping trend. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 17.1 per cent invested in T-Bills, 51.9 per cent in Cash and 9.6 per cent in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2021 stood at Rs. 3,646 million as compared to Rs. 4,033 million as at June 30, 2020 registering a decrease of 9.60 per cent.

The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs.107.0518 as compared to opening NAV of Rs. 106.9649 per unit as at June 30, 2020 registering an increase of Rs. 0.0869 per unit.

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

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SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. On August 13, 2021, the management, in consultation with MUFAP and after concurrence for prospective reversal of provision of SWWF from SECP, reversed the cumulative provision for SWWF recognized in the fund for the period from May 21, 2015 to August 12, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the fund. This reversal of provision has contributed towards an unusual increase in NAV of the Fund on August 13, 2021. This is one-off event and is not likely to be repeated in the future. For further details, refer note 26.2 to the financial statements.

### **Economy & Market – Future Outlook**

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

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

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

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

### **Mutual Fund Industry Review**

The Net Assets of the open end mutual fund industry increased by about 37.2 per cent to PKR 1,018 billion in this fiscal year. Money market funds and Fixed Income funds experienced an influx of investment as corporate liquidity swiftly moving towards mutual funds. Total money market funds grew by about 48 per cent during the period to PKR 467 billion. Within the money market sphere, the conventional funds dominated as they grew by about 39 per cent to PKR 285 billion. Equity and related funds surged rapidly by 33 per cent from PKR 224 billion to PKR 299 billion over the year. Most of the rise in equity and equity linked fund assets can be attributed to a positive uptick in the market that was up approx. 38 per cent YoY owing to favorable investor sentiments.

In terms of the segment share, Money Market funds were the leader with a share of around 46 per cent, followed by Equity and Equity related funds with a share of 30 per cent and Income funds having a share of 24 per cent as at the end of the fiscal year.

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

## Mutual Fund Industry Outlook

Record decline in interest rates have reinstated the confidence in risk asset classes. We expect liquidity to gear up towards equity and related funds. The sustainability of liquidity will however depend on how the economy transitions through this phase of pandemic. Our operations remained seamless and given our competitive edge due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

## Corporate Governance

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

The Board consists of 1 female and 7 male directors. The details are as under:

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

\* HR&R stands for Human Resource and Remuneration

Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The Board of Directors is pleased to report that:

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.

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

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

### 1. Meeting of the Audit Committee.

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

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

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

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

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

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

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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Nil	Nil	Nil	Nil	Nil

## External Auditors

The fund's external auditors, **A.F.Ferguson & Co. Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2022. The audit committee of the Board has recommended reappointment of **A.F.Ferguson & Co. Chartered Accountants** as auditors of the fund for the year ending June 30, 2022.

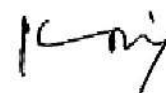
## ACKNOWLEDGMENT

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

On behalf of Directors,



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



**Kashif A. Habib**  
Director

## ڈائریکٹرز رپورٹ

اظہار تشکر

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

من جانب ڈائریکٹرز



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

15 ستمبر 2021ء



کاشف اے حبیب

ڈائریکٹر



## ڈائریکٹرز رپورٹ

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

۲۔ ہیومن ریسورس اینڈ میوزیشن کمیٹی کی میٹنگ

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

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

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

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
یونٹس کی تعداد					
۱	کوئی نہیں	کوئی نہیں	کوئی نہیں	کوئی نہیں	کوئی نہیں

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز **A.F. Ferguson & Co.** چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر جاری رہنے کی رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے **A.F. Ferguson & Co.** چارٹرڈ اکاؤنٹنٹس کی فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر دوبارہ تقرری کی سفارش پیش کی ہے۔

## ڈائریکٹرز رپورٹ

\* ایچ آر اینڈ آر: ہیومن ریسورس اینڈ میونریشن

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

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

- مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کی درست بکس آف اکاؤنٹس بنائی گئی ہیں؛
- مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں؛
- مالیاتی گوشواروں کی تیاری میں پاکستان میں حتمی الاطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات، non بینکنگ فائننس کمپنیز (اسٹیبلسمنٹ اینڈ ریگولیشنز) رولز 2003، non بینکنگ فائننس کمپنیز اینڈ نوٹیفائیڈ اینٹیلیز ریگولیشنز 2008، متعلقہ ٹرسٹ ڈیڈز کی ضروریات اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایات کی تعمیل کی گئی ہے؛
- انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں؛
- فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں؛
- کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛
- واجب الاداء ٹیکس، قانونی چارہ اور ڈیوٹیز (محصولات اور چنگی وغیرہ) کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
- پروائیڈنٹ/گریجویٹس اور پینشن فنڈ کی سرمایہ کاریوں کی قدر کے بیان کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے؛ چنانچہ ڈائریکٹرز رپورٹ میں کوئی اظہار نہیں کیا گیا ہے۔
- 30 جون 2021ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریڈنگ پروگرام کی شرائط پر عمل پیرا ہے۔
- این بی ایف سی ریگولیشنز کے مطابق مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ منسلک ہے۔
- بورڈ آف ڈائریکٹرز مینٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کر دی گئی ہیں۔ سال مختتمہ 30 جون 2021ء کے دوران ہونے والی کمیٹی مینٹنگز کی تفصیلات درج ذیل ہیں:

۱۔ آڈٹ کمیٹی کی مینٹنگ

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

## ڈائریکٹرز رپورٹ

### میوچل فنڈ صنعت کا جائزہ

اپن end میوچل فنڈ صنعت کے net اثاثہ جات اس مالی سال میں تقریباً 37.2 فیصد بڑھ کر 1,018 بلین روپے ہو گئے۔ منی مارکیٹ فنڈز اور فیکسڈ انکم فنڈز میں خطیر سرمایہ کاری ہوئی کیونکہ کارپوریٹ نقدیت تیزی سے میوچل فنڈز کی جانب بڑھ رہی ہے۔ منی مارکیٹ کے مجموعی فنڈز دوران مدت تقریباً 48 فیصد بڑھ کر 467 بلین روپے ہو گئے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز حاوی رہے اور تقریباً 39 فیصد بڑھ کر 285 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز میں دوران سال 33 فیصد کا بھرپور اضافہ ہوا اور وہ 224 بلین روپے سے 299 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز کے اثاثہ جات میں اضافے کا بڑا سبب سرمایہ کاروں کے مثبت جذبات کی بدولت مارکیٹ میں 38 فیصد سال در سال (YoY) ترقی کو قرار دیا جاسکتا ہے۔

شعبہ جاتی حصے کے اعتبار سے مالی سال کے اختتام پر منی مارکیٹ فنڈز تقریباً 46 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ ایکویٹی اور متعلقہ فنڈز تقریباً 30 فیصد، اور انکم فنڈز تقریباً 24 فیصد کے حامل تھے۔

### میوچل فنڈ صنعت کے مستقبل کا منظر

سود کی شرحوں میں اب تک کی سب سے زیادہ کمی کی بدولت خطرات کے حامل اثاثہ جات میں اعتماد بحال ہوا ہے۔ ہم امید کرتے ہیں کہ ایکویٹی اور متعلقہ فنڈز کے شعبے میں نقدیت کی صورتحال بہتر ہوگی۔ تاہم نقدیت کی پائیداری کا انحصار اس بات پر ہوگا کہ معیشت اس وباء کے مرحلے سے کس طرح گزرتی ہے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سہولت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکے۔

### کارپوریٹ گورننس

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

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

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.66 فیصد تھا، جبکہ مقررہ معیار کا منافع 7.71 فیصد تھا۔ فنڈ کی پالوزن اوسط مپچورٹی بڑھ کر 1.5 سال ہو گئی جس کا سبب سود کی شرح میں کمی کا رجحان تھا۔ زیر جائزہ مدت کے اختتام پر فنڈ کا زیادہ تر اختصاص نقد اور ٹرم فنانس سرٹیفکیٹس (ٹی ایف سی) میں تھا۔ اختتام مدت پر فنڈ کی سرمایہ کاری ٹریڈری ہلنز (ٹی ہلنز) میں 17.1 فیصد، نقد میں 51.9 فیصد اور ٹی ایف سی میں 9.6 فیصد تھی۔ نقد میں زیادہ شمولیت کی وجہ بینک ڈپازٹس پر منافع بخش شرحیں تھیں۔

30 جون 2021ء کو فنڈ کے net اثاثہ جات 3,646 ملین روپے تھے جو 30 جون 2020ء کی سطح 4,033 ملین روپے کے مقابلے میں 9.60 فیصد کمی ہے۔

30 جون 2021ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 107.0518 روپے تھی جو 30 جون 2020ء کو ابتدائی این اے وی 106.9649 روپے فی یونٹ کے مقابلے میں 0.0869 روپے فی یونٹ اضافہ ہے۔

ایس آر بی نے اپنے خط مؤرخہ 12 اگست 2021ء کے ذریعے، جو MUFAP کو 13 اگست 2021ء کو موصول ہوا، MUFAP کو مطلع کر دیا ہے کہ میوچل فنڈ ز مالیاتی اداروں / صنعتی اسٹیبلشمنٹس کے طور پر اہل نہیں ہیں اور چنانچہ SWWF کے شراکتی حصے ان پر واجب الاداء نہیں ہیں۔ 13 اگست 2021ء کو انتظامیہ نے MUFAP سے مشورے کے بعد اور ایس ای سی پی سے SWWF کے پراویژن کی متوقع تقلیب پر اتفاقی رائے کے بعد فنڈ میں 12 اگست 2021ء کی مدت تک کے لیے کیے گئے SWWF کے مجموعی پراویژن کی تقلیب کر دی ہے۔ چنانچہ آئندہ فنڈ میں SWWF کے لیے کوئی پراویژن نہیں کیا جائے گا۔ پراویژن کی تقلیب کے باعث 13 اگست 2021ء کو فنڈ کی net اثاثہ جاتی قدر (این اے وی) میں غیر معمولی اضافہ ہوا۔ یہ واقعہ صرف ایک مرتبہ ہوا ہے اور اس کے دوبارہ ہونے کا امکان نہیں ہے۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 26.2 ملاحظہ فرمائیے۔

## معیشت اور بازار - مستقبل کا منظر

سہل مالیاتی پالیسیوں کے سبب آنے والے سال میں ترقی کی رفتار جاری رہنے کا امکان ہے۔ وسیع تر معیشت قبل از کووڈ سطحوں کے قریب چلتی ہوئی نظر آرہی ہے جس کی پیشکش ایل ایس ایم میں ترقی، سیمنٹ کی فروخت، گاڑیوں کی فروخت وغیرہ سے ہوتی ہے۔ ہم امید کرتے ہیں کہ جی ڈی پی میں مالی سال 2022ء میں مزید ترقی ہوگی لیکن حکومتی ہدف 4.8 فیصد سے کچھ کم رہے گی۔ اشیاء کی قیمتوں میں حالیہ اضافے نے مالیاتی اور خارجی، دونوں اکاؤنٹس کے لیے مشکلات پیدا کی ہیں۔ مالیاتی جہت میں آمدنی اور ترقیاتی اخراجات کے اہداف کا پورا ہونا بہت مشکل ہے۔

درآمدات کی رفتار میں بحالی سے کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے تقریباً 2.8 فیصد پہنچ جانے کی امید ہے جس کے باعث اختتام سال تک زرمبادلہ کی شرح کمزور ہو کر تقریباً 170 ڈالر ہونے کا امکان ہے۔ اشیاء کی قیمتیں اور کمزور روپیہ بھی اوسط افراط زر کو برقرار رکھنے کا سبب بن سکتے ہیں جو تقریباً 8.5 فیصد ہو سکتی ہے۔ چنانچہ دوران سال آگے چل کر مالیاتی پالیسی میں سختی متوقع ہے اور اختتام سال تک سود کے 9 فیصد تک پہنچ جانے کا امکان ہے۔

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

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



بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی ڈی سی ایف انکم فنڈ کے گوشواروں مختتمہ 30 جون 2021ء کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار کا جائزہ

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

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

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

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

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

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

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### **Fund Type and Category**

MCB DCF Income Fund (MCB DCFIF) is an open-end Income scheme, which falls under the category of Income Scheme.

### **Fund Benchmark**

The benchmark for MCB DCFIF is Six(6) months KIBOR rates.

### **Investment Objective**

To deliver superior fixed income returns by investing in an optimal mix of authorized debt instruments while taking into account capital security and liquidity consideration.

### **Investment Strategy**

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in medium to long term assets. The fund may also invest a portion of the Fund in money market and short term instruments in order to provide liquidity to Unit Holders at the same time.

### **Manager's Review**

During the period under review, the fund generated an annualized return of 6.66% as against its benchmark return of 7.71%. The WAM of the fund increased to 1.5 years. The fund allocation remained notably in cash and TFCs at the end of the period under review. At period-end, the fund was 17.1% invested in T-Bills, 51.9% in Cash and 9.6% in TFCs. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2021 stood at Rs. 3,646 million as compared to Rs. 4,033 million as at June 30, 2020 registering a decrease of 9.6%.

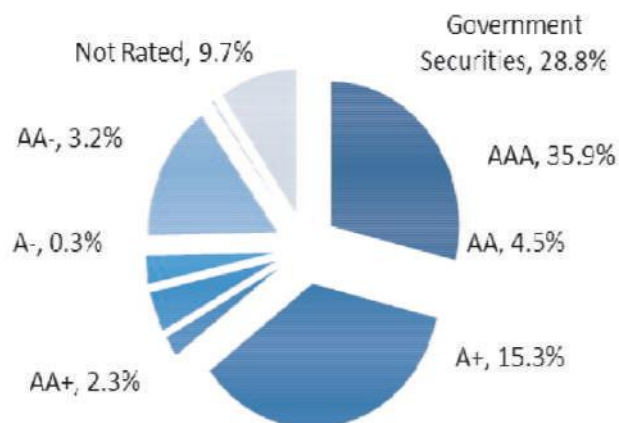
The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs.107.0518 as compared to opening NAV of Rs. 106.9649 per unit as at June 30, 2020 registering an increase of Rs. 0.0869 per unit.

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

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

Asset Allocation (%age of Total Assets)	Jun-21
Cash	51.9%
TFCs/Sukuks	9.6%
Government Backed / Guaranteed Securities	0.0%
GOP Ijara Sukuk	0.6%
PIBS	11.1%
T-Bills	17.1%
Spread Transactions	0.8%
Others including receivables	8.0%
Margin Trading	0.9%

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



**Mr. Saad Ahmed**  
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 Shahr-e-Faisal  
Karachi - 74400, Pakistan.  
Tel : (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



## TRUSTEE REPORT TO THE UNIT HOLDERS

### MCB DCF 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 MCB DCF 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, 2021 in accordance with the provisions of the following:

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

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

Karachi: September 09, 2021





# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB DCF Income Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of MCB DCF Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, 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, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value (NAV)</b> (Refer notes 4 and 5 to the annexed financial statements)  Balances with banks and Investments constitute the most significant components of the NAV. Balances with banks of the Fund as at June 30, 2021 aggregated to Rs 3,014.318 million and Investments amounted to Rs 2,278.357 million.  The existence of balances with banks and the existence and proper valuation of Investments for the determination of NAV of the Fund as at June 30, 2021 was considered a high risk area and therefore, we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>tested the design and operating effectiveness of the key controls for valuation of investments;</li><li>obtained independent confirmations for verifying the existence of the investment portfolio and balances with banks as at June 30, 2021 and traced them to the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed;</li></ul>

AFC

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
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Tel: +92 (21) 32426682-6/32426711-5; Fax: +92 (21) 32415007/32427938/32424740; <www.pwc.com/pk>

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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

2



A.F. FERGUSON & Co.

S. No.	Key Audit Matter	How the matter was addressed in our audit
		<ul style="list-style-type: none"><li>re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; and</li><li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul>

## Other Information

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

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

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

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

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

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

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

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

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

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

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

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## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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3



A.F. FERGUSON & CO.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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


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

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

### Report on Other Legal and Regulatory Requirements

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

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

  
Chartered Accountants  
Karachi  
Date: September 23, 2021

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

	Note	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks	4	3,014,318	1,643,631
Investments	5	2,278,357	3,437,545
Mark-up, dividend and other receivables	6	34,325	33,893
Receivable against margin trading system		49,596	-
Receivable against sale of investments		386,229	-
Advances, deposits and prepayments	7	47,070	145,206
<b>Total assets</b>		5,809,895	5,260,275
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	8	10,064	11,493
Payable to Central Depository Company of Pakistan Limited - Trustee	9	280	317
Payable to the Securities and Exchange Commission of Pakistan	10	807	887
Payable against purchase of investments		1,965,915	1,046,022
Accrued and other liabilities	11	186,879	168,781
<b>Total liabilities</b>		2,163,945	1,227,500
<b>NET ASSETS</b>		<u>3,645,950</u>	<u>4,032,775</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>3,645,950</u>	<u>4,032,775</u>
<b>Contingencies and commitments</b>	12		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>34,057,826</u>	<u>37,701,847</u>
		----- (Rupees) -----	
<b>NET ASSET VALUE PER UNIT</b>	3.7	<u>107.0518</u>	<u>106.9649</u>

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

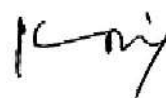
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

		For the year ended	
	Note	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
<b>INCOME</b>			
Net gain on sale of investments		33,545	69,071
Profit on bank deposits and term deposit receipts		88,124	113,700
Income from government securities		82,303	239,956
Income from term finance certificates and sukuk certificates		79,129	174,674
Dividend income		34,279	36,584
Income / (loss) from spread transactions - net	5.1.2.1	35,017	(23,335)
Net gain on sale of investments		5,405	3,413
Profit on margin trading system		12,479	-
Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss' - net	5.1.8	16,335	(10,929)
Other income		925	-
<b>Total income</b>		<b>387,541</b>	<b>603,134</b>
<b>EXPENSES</b>			
Remuneration of MCB-Arif Habib Savings & Investments Limited - Management Company	8.1	60,510	66,559
Sindh sales tax on remuneration of the Management Company	8.2	7,866	8,653
Allocated expenses	8.3	4,034	4,437
Selling and marketing expenses	8.4	15,732	13,977
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	3,026	3,328
Sindh sales tax on remuneration of the Trustee	9.2	393	433
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	807	887
Auditors' remuneration	13	816	857
Brokerage, settlement and bank charges		28,951	7,356
Legal and professional charges		936	94
Fees and subscription		771	662
Printing and related costs		36	41
<b>Total expenses</b>		<b>(123,878)</b>	<b>(107,284)</b>
<b>Net income from operating activities</b>		<b>263,663</b>	<b>495,850</b>
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	(5,273)	(9,917)
<b>Net income for the year before taxation</b>		<b>258,390</b>	<b>485,933</b>
Taxation	14	-	-
<b>Net income for the year after taxation</b>		<b>258,390</b>	<b>485,933</b>
<b>Earnings per unit</b>	3.13	-	-
<i>Allocation of net income for the year:</i>			
Net income for the year after taxation		258,390	485,933
Income already paid on units redeemed		(67,853)	(85,981)
		<b>190,537</b>	<b>399,952</b>
<i>Accounting income available for distribution:</i>			
- Relating to capital gains		35,874	48,304
- Excluding capital gains		154,663	351,648
		<b>190,537</b>	<b>399,952</b>

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

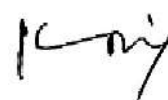
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
Net income for the year after taxation	258,390	485,933
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>258,390</u>	<u>485,933</u>

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

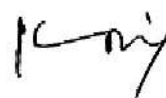
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	June 30, 2021			June 30, 2020		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	----- (Rupees in '000) -----					
<b>Net assets at beginning of the year</b>	3,623,649	409,126	4,032,775	3,539,191	394,254	3,933,445
Issuance of 127,150,311 units (2020: 130,749,577 units)						
- Capital value (at ex-net assets value per unit at the beginning of the year)	13,600,620	-	13,600,620	13,931,922	-	13,931,922
- Element of income	214,613	-	214,613	1,094,770	-	1,094,770
	13,815,233	-	13,815,233	15,026,692	-	15,026,692
Redemption of 130,794,332 units (2020: 129,962,685 units)						
- Capital value (at ex-net assets value per unit at the beginning of the year)	13,990,403	-	13,990,403	13,848,075	-	13,848,075
- Element of loss	180,944	67,853	248,797	1,062,922	85,981	1,148,903
	14,171,347	67,853	14,239,200	14,910,997	85,981	14,996,978
Total comprehensive income for the year	-	258,390	258,390	-	485,933	485,933
Interim distribution for the year ended June 30, 2021 @ Rs 7.0333 per unit on June 25, 2021	-	(188,284)	(188,284)	-	-	-
Refund of capital for the year ended June 30, 2021	(32,964)	-	(32,964)	-	-	-
Final distribution for the year ended June 30, 2020 @ Rs 12.0476 per unit on June 30, 2020	-	-	-	-	(385,080)	(385,080)
Refund of capital for the year ended June 30, 2020	-	-	-	(31,237)	-	(31,237)
Total distributions during the year	(32,964)	(188,284)	(221,248)	(31,237)	(385,080)	(416,317)
<b>Net assets at end of the year</b>	<b>3,234,571</b>	<b>411,379</b>	<b>3,645,950</b>	<b>3,623,649</b>	<b>409,126</b>	<b>4,032,775</b>
<b>Undistributed income brought forward comprising of:</b>						
- Realised	420,055			407,880		
- Unrealised	(10,929)			(13,626)		
<b>Undistributed income brought forward</b>	<b>409,126</b>			<b>394,254</b>		
<b>Accounting income available for distribution:</b>						
- Relating to capital gains	35,874			48,304		
- Excluding capital gains	154,663			351,648		
	190,537			399,952		
Distributions during the year	(188,284)			(385,080)		
<b>Undistributed income carried forward</b>	<b>411,379</b>			<b>409,126</b>		
<b>Undistributed income carried forward comprising of:</b>						
- Realised	395,044			420,055		
- Unrealised	16,335			(10,929)		
	411,379			409,126		
	(Rupees)			(Rupees)		
<b>Net asset value per unit at the beginning of the year</b>	<b>106.9649</b>			<b>106.5542</b>		
<b>Net asset value per unit at the end of the year</b>	<b>107.0518</b>			<b>106.9649</b>		

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

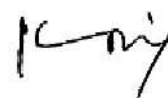
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

Note	For the year ended	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	258,390	485,933
<b>Adjustments for:</b>		
Dividend income	(34,279)	(36,584)
Provision for Sindh Workers' Welfare Fund (SWWF)	5,273	9,917
(Income) / loss from spread transactions - net	(35,017)	23,335
Unrealised appreciation / (diminution) on re-measurement of investments 'financial assets at fair value through profit or loss' - net	(16,335)	10,929
	178,032	493,530
<b>Decrease / (Increase) in assets</b>		
Investments - net	1,210,716	(1,259,535)
Mark-up, dividend and other receivables	483	14,100
Receivable against margin trading system	(49,596)	-
Receivable against sale of investments	(386,229)	22,840
Advances, deposits and prepayments	98,136	(101,281)
	873,510	(1,323,876)
<b>(Decrease) / Increase in liabilities</b>		
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	(1,429)	5,375
Payable to Central Depository Company of Pakistan Limited - Trustee	(37)	(68)
Payable to the Securities and Exchange Commission of Pakistan (SECP)	(80)	(2,052)
Payable against purchase of investments	919,893	1,041,579
Accrued and other liabilities	12,825	(33,523)
	931,172	1,011,311
Dividends received	33,363	37,158
<b>Net cash generated from operating activities</b>	2,016,078	218,123
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units - net of refund of capital	13,782,269	14,995,455
Net payments on redemption of units	(14,239,200)	(14,996,978)
Dividend paid	(188,284)	(385,080)
<b>Net cash used in financing activities</b>	(645,215)	(386,603)
<b>Net increase / (decrease) in cash and cash equivalents during the year</b>	1,370,863	(168,480)
Cash and cash equivalents at beginning of the year	2,640,913	2,809,393
<b>Cash and cash equivalents at end of the year</b>	4,011,776	2,640,913

15

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

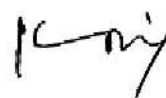
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



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

## 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB DCF Income Fund (the Fund) was established under a Trust Deed dated November 20, 2006 executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme on November 7, 2006 consequent to which the trust deed was executed on November 10, 2006 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open ended mutual fund and has been categorised as "Income Scheme" and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The units are listed on the Pakistan Stock Exchange Limited.
- 1.4 The Fund primarily invests in money market and other instruments which includes corporate debt and government securities, repurchase agreements and spread transactions. The Fund may also invest a portion of its funds in medium term assets in order to provide higher return to unit holders.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' dated October 06, 2020 to the Management Company and a stability rating of 'AA-(f)' dated March 09, 2021 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.
- 1.7 The Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Act 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Trust Act have been introduced. The Management Company to fulfil the requirement for registration of Trust Deed under Sindh Trusts Act 2020, has submitted the Collective Investment Scheme Trust Deed to the Registrar (acting under Sindh Trusts Act 2020).

## 2 BASIS OF PREPARATION

### 2.1 STATEMENT OF COMPLIANCE

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

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

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

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

## 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'at fair value through profit or loss' which are measured at fair value.

## 2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year:

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2020. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2023
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2023

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

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting period beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

## 2.5 Critical accounting estimates and judgements

The preparation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for SWWF (note 11.1), provision for FED (note 11.2) and provision for taxation (notes 3.12 and 14).

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 3.2 Cash and cash equivalents

These comprise balances with banks in savings and current accounts and other short-term highly liquid investments with original maturities of three months or less.

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

## 3.3 Financial assets

### 3.3.1 Classification and subsequent measurement

#### 3.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income “(FVOCI)”
- at fair value through profit or loss (FVTPL) based on the business model of the entity

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore, the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

#### 3.3.1.2 Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuer's perspective and are instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuer's net assets.

All equity investments are required to be measured in the “Statement of Assets and Liabilities” at fair value, with gains and losses recognised in the “Income Statement”, except where an irrevocable election has been made at the time of initial recognition to measure the investment at FVOCI. The management considers its investment in equity securities being managed as a group of assets and hence has classified them as FVPL. Accordingly, the irrevocable option has not been considered.

The dividend income for equity securities classified under FVPL is recognised in the Income Statement.

Since all investments in equity instruments have been designated as FVPL, the subsequent movement in the fair value of equity securities is routed through the Income Statement.

### 3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments as per Circular 33 of 2012) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

#### 3.3.2.1 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP, in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

### 3.3.3 Regular way contracts

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset. Regular way purchases / sales of assets require delivery of securities within two days from the transaction date as per the stock exchange regulations.

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

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## **3.3.4 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

## **3.3.5 Derecognition**

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

## **3.3.6 Derivatives**

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the Income Statement.

## **3.4 Financial liabilities**

Financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair values and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement.

## **3.5 Offsetting of financial assets and financial 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 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

## **3.7 Net asset value per unit**

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

## **3.8 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours of the day when the application is received. The offer price represents the Net Asset Value (NAV) of the units as of the close of that business day plus the allowable sales load, provision of duties and charges and provision for transaction costs, if applicable. The sales load is payable to the distributors and the Management Company.

Units redeemed are recorded at the redemption price prevalent on the date on which the distributors receive redemption applications during business hours on that date. The redemption price represents the NAV per unit as on the close of business day less any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

Element of income represents the difference between net asset value per unit on the issuance or redemption date, as the case may be, of units and the net asset 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.

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

## 3.10 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis using the effective yield rate method.
- Income on government securities is recognised on an accrual basis using the effective yield rate method.
- Income on debt securities (including term finance certificates and sukuk) is recognised on an accrual basis using the effective yield method, except for the securities which are classified as non-performing asset under Circular No. 33 of 2012 issued by the SECP for which the income is recorded on cash basis.
- Dividend income is recognised when the Fund's right to receive the same is established.
- Profit on margin trading system is recognised on an accrual basis using the effective yield rate method.
- Unrealised appreciation / (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the year in which they arise.
- Other income is recognised on an accrual basis using the effective yield rate method.

## 3.11 Expenses

All expenses including management fee, trustee fee, the Securities and Exchange Commission of Pakistan fee and allocated expenses are recognised in the Income Statement on accrual basis.

## 3.12 Taxation

### Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit. The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilised. Deferred tax is calculated at the rates that are expected to apply to the year when the differences reverse, based on enacted tax rates.

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 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders in cash. Furthermore, for the purpose of determining distribution of at least 90 percent of the accounting income, the income distributed through bonus units shall not be taken into account.

## 3.13 Earnings per unit

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

## 3.14 Distribution to units holders

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the 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.

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

## 3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

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

	Note	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
<b>4. BALANCES WITH BANKS</b>			
Current accounts		39	21,598
Savings accounts	4.1	3,014,279	1,622,033
	4.2	<u>3,014,318</u>	<u>1,643,631</u>
<b>4.1</b>	These carry profit at the rates ranging from 5.5% to 8.5% per annum (2020: 4.5% to 14.45% per annum) .		
<b>4.2</b>	This includes balances with related parties of Rs. 0.602 million (2020: Rs. 22.634 million) maintained with MCB Bank Limited and Rs. 0.010 million (2020:Rs. 0.011 million) maintained with MCB Islamic Bank Limited.		
<b>5. INVESTMENTS</b>	Note	June 30, 2021	June 30, 2020
		----- (Rupees in '000) -----	
<b>5.1 Investments at fair value through profit or loss</b>			
Government securities	5.1.1	1,677,862	2,167,473
Listed equity securities	5.1.2	43,725	325,426
Listed debt securities	5.1.3	-	333,290
Unlisted debt securities	5.1.4	555,267	614,897
Future stock contracts		<u>1,503</u>	<u>(3,541)</u>
		<u>2,278,357</u>	<u>3,437,545</u>
<b>5.1.1 Government securities</b>			
Market Treasury Bills	5.1.1.1	997,458	1,073,409
Pakistan Investment Bonds	5.1.1.2	642,679	406,133
Government Debt securities	5.1.1.3	<u>37,725</u>	<u>687,931</u>
		<u>1,677,862</u>	<u>2,167,473</u>
<b>5.1.1.1 Market Treasury Bills</b>			

Name of security	Note	Date of issue	Face Value				As at June 30, 2021			Market value as a percentage of	
			As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying Value	Market value	Unrealised gain	Net assets	Total investments

----- (Rupees in '000) ----- % -----											
<b>Market Treasury Bills</b>											
- 3 months		April 23, 2020	1,000,000	-	1,000,000	-	-	-	-	-	-
- 3 months		July 2, 2020	-	150,000	150,000	-	-	-	-	-	-
- 3 months		June 3, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		December 3, 2020	-	3,075,000	3,075,000	-	-	-	-	-	-
- 3 months		June 4, 2020	-	250,000	250,000	-	-	-	-	-	-
- 3 months		November 5, 2020	-	2,475,000	2,475,000	-	-	-	-	-	-
- 3 months		May 6, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		April 8, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		October 8, 2020	-	2,000,000	2,000,000	-	-	-	-	-	-
- 3 months		September 10, 2020	-	1,500,000	1,500,000	-	-	-	-	-	-
- 3 months		February 11, 2021	-	800,000	800,000	-	-	-	-	-	-
- 3 months		March 11, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		January 14, 2021	-	1,350,000	1,350,000	-	-	-	-	-	-
- 3 months		July 16, 2020	-	1,875,000	1,875,000	-	-	-	-	-	-
- 3 months		June 17, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		December 17, 2020	-	500,000	500,000	-	-	-	-	-	-
- 3 months		June 18, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		November 19, 2020	-	525,000	525,000	-	-	-	-	-	-
- 3 months		May 20, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months		April 22, 2021	-	5,500,000	4,500,000	1,000,000	997,444	997,458	14	27.36	43.78
- 3 months		September 24, 2020	-	2,400,000	2,400,000	-	-	-	-	-	-
- 3 months		February 25, 2021	-	4,374,900	4,374,900	-	-	-	-	-	-
- 3 months		March 25, 2021	-	75,000	75,000	-	-	-	-	-	-
- 3 months		December 31, 2020	-	3,100,000	3,100,000	-	-	-	-	-	-
- 3 months		August 27, 2020	-	2,500,000	2,500,000	-	-	-	-	-	-
<b>Balance carried forward</b>							<u>997,444</u>	<u>997,458</u>	<u>14</u>		

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

Name of security	Note	Date of issue	Face Value				As at June 30, 2021			Market value as a percentage of	
			As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying Value	Market value	Unrealised gain	Net assets	Total investments
----- (Rupees in '000) ----- %											
Balance brought forward							997,444	997,458	14		
Market Treasury Bills		July 2, 2020	-	75,000	75,000	-	-	-	-	-	-
- 6 months		May 6, 2021	-	500,000	500,000	-	-	-	-	-	-
- 6 months		April 8, 2021	-	2,700,000	2,700,000	-	-	-	-	-	-
- 6 months		September 10, 2020	-	340,000	340,000	-	-	-	-	-	-
- 6 months		July 16, 2020	-	8,625,000	8,625,000	-	-	-	-	-	-
- 6 months		June 17, 2021	-	500,000	500,000	-	-	-	-	-	-
- 6 months		June 18, 2020	-	3,265,000	3,265,000	-	-	-	-	-	-
- 6 months		May 20, 2021	-	2,500,000	2,500,000	-	-	-	-	-	-
- 6 months		April 23, 2020	-	300,900	300,900	-	-	-	-	-	-
Market Treasury Bills		June 4, 2020	-	325,000	325,000	-	-	-	-	-	-
-12 months		December 5, 2020	-	1,450,000	1,450,000	-	-	-	-	-	-
-12 months		October 10, 2019	-	8,160,000	8,160,000	-	-	-	-	-	-
-12 months		March 12, 2020	50,000	410,000	460,000	-	-	-	-	-	-
-12 months		September 12, 2019	-	500,000	500,000	-	-	-	-	-	-
-12 months		December 19, 2019	-	4,500,000	4,500,000	-	-	-	-	-	-
-12 months		May 21, 2020	-	2,000,000	2,000,000	-	-	-	-	-	-
-12 months		October 24, 2019	-	11,400	11,400	-	-	-	-	-	-
-12 months		August 29, 2019	-	1,000,000	1,000,000	-	-	-	-	-	-
-12 months		April 9, 2020	30,000	-	30,000	-	-	-	-	-	-
Total as at June 30, 2021		5.1.1.1.1					997,444	997,458	14		
Total as at June 30, 2020							1,071,726	1,073,409	1,683		

5.1.1.1.1 These will mature latest by July 15, 2021 (2020: April 09, 2021) and carries effective yield at the rate of 7.19% per annum (2020: 7.14% to 13.09% per annum).

## 5.1.1.2 Pakistan Investment Bonds

Name of security	Note	Date of issue	Face Value				As at June 30, 2021			Market value as a percentage of		
			As at July 01, 2020	Purchased during the year	Sold / matured during the year	As at June 30, 2021	Carrying Value	Market value	Unrealised gain / (loss)	Net assets	Total investments	
(Rupees in '000)											%	
Pakistan Investment Bonds												
- 02 years		November 5, 2020	-	150,000	50,000	100,000	99,692	99,650	(42)	2.73	4.37	
Pakistan Investment Bonds												
- 03 years		July 12, 2018	11,000	-	-	11,000	11,001	11,000	(1)	0.30	0.48	
- 03 years		September 19, 2019	19,000	200,000	219,000	-	-	-	-	-	-	
- 03 years		June 18, 2020	375,000	1,200,000	1,375,000	200,000	200,220	200,240	20	5.49	8.79	
- 03 years		August 20, 2020	-	950,000	950,000	-	-	-	-	-	-	
- 03 years		October 22, 2020	-	250,000	250,000	-	-	-	-	-	-	
Pakistan Investment Bonds												
- 05 years		July 12, 2018	-	700,000	400,000	300,000	296,050	296,585	535	8.13	13.02	
- 05 years		October 15, 2020	-	1,525,000	1,525,000	-	-	-	-	-	-	
- 05 years		September 19, 2019	-	200,000	200,000	-	-	-	-	-	-	
Pakistan Investment Bonds												
-10 years		August 22, 2019	-	105,000	70,000	35,000	35,179	35,204	25	0.97	1.55	
Total as at June 30, 2021	5.1.1.2.1						642,142	642,679	537			
Total as at June 30, 2020							403,182	406,133	2,951			

5.1.1.2.1 These will mature latest by August 22, 2029 (2020: June 18, 2023) and carries effective yield at the rates ranging from 7.13% to 8.72% per annum (2020: 8.27% to 13.09%).



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

## 5.1.1.3 Government Debt securities

Particulars	Profit rate	Number of certificates				Balance as at June 30, 2021			Market value as a percentage of	
		As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----										
Pakistan Energy Sukuk - 10 years	6M KIBOR + 0.1%	100,000	-	100,000	-	-	-	-	-	-
GOP Ijara - 5 years (June-24, 2020 - June 24, 2025)	7.38%	187,500	37,500	187,500	37,500	37,744	37,725	(19)	1.03	1.66
GOP Ijara - 5 years (July 29, 2020 - July 29, 2025)	8.37%	-	365,000	365,000	-	-	-	-	-	-
GOP Ijara - 5 years (July 29, 2020 - July 29, 2025)	6.27%	-	552,500	552,500	-	-	-	-	-	-
<b>Total as at June 30, 2021</b>						<b>37,744</b>	<b>37,725</b>	<b>(19)</b>		
Total as at June 30, 2020						<b>687,500</b>	<b>687,931</b>	<b>431</b>		

## 5.1.2 Listed equity securities

Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise

Name of investee company	Number of shares				Balance as at June 30, 2021			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
----- (Rupees in '000) ----- % -----										
<b>Automobile Assembler</b>										
Ghandhara Industries Limited	-	329,000	329,000	-	-	-	-	-	-	-
Ghandhara Nissan Limited	-	85,000	85,000	-	-	-	-	-	-	-
Pak Suzuki Motors Company Limited	-	284,500	284,500	-	-	-	-	-	-	-
Sazgar Engineering Works	-	43,000	43,000	-	-	-	-	-	-	-
-----										
<b>Automobile parts &amp; accessories</b>										
General Tyre & Rubber Company Limited	-	148,500	148,500	-	-	-	-	-	-	-
-----										
<b>Cable &amp; electrical goods</b>										
Pak Elektron Limited***	1,714,000	13,691,500	15,405,500	-	-	-	-	-	-	-
-----										
<b>Cement</b>										
Cherat Cement Company Limited	-	429,500	429,500	-	-	-	-	-	-	-
D.G. Khan Cement Company Limited*	514,500	3,731,000	4,245,500	-	-	-	-	-	-	-
Fauji Cement Company Limited	320,500	3,763,500	4,084,000	-	-	-	-	-	-	-
Lucky Cement Limited	32,500	407,500	440,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited***	1,081,500	10,590,500	11,672,000	-	-	-	-	-	-	-
Pioneer Cement Limited	-	1,609,500	1,609,500	-	-	-	-	-	-	-
Power Cement Limited*	-	3,036,500	3,036,500	-	-	-	-	-	-	-
-----										
<b>Chemicals</b>										
Engro Polymer and Chemicals Limited	137,500	4,480,000	4,617,500	-	-	-	-	-	-	-
Ghani Global Holdings Limited	-	3,508,000	3,508,000	-	-	-	-	-	-	-
Lotte Chemical Pakistan Limited	371,000	7,893,500	8,264,500	-	-	-	-	-	-	-
Sitara Peroxide Limited	-	2,000	2,000	-	-	-	-	-	-	-
-----										
<b>Commercial Banks</b>										
Habib Bank Limited	-	29,000	29,000	-	-	-	-	-	-	-
United Bank Limited	-	8,500	8,500	-	-	-	-	-	-	-
-----										
<b>Engineering</b>										
Aisha Steel Limited	-	4,865,000	4,865,000	-	-	-	-	-	-	-
Amreli Steels Limited	-	2,153,000	2,153,000	-	-	-	-	-	-	-
International Industries Limited	2,000	1,130,500	1,132,500	-	-	-	-	-	-	-
International Steels Limited	92,500	3,484,000	3,576,500	-	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	-	1,059,500	1,059,500	-	-	-	-	-	-	-
-----										
<b>Balance carried forward</b>										
-----										

\* These transactions relating to shares of related parties



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

Name of investee company	Number of shares				Balance as at June 30, 2021			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
----- (Rupees in '000) ----- % -----										
Balance brought forward					-	-	-			
Fertilizer										
Engro Fertilizer Limited	-	1,219,000	1,219,000	-	-	-	-	-	-	-
Engro Corporation Limited	50,000	542,500	592,500	-	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	28,500	7,073,000	7,101,500	-	-	-	-	-	-	-
Fauji Fertilizer Company Limited	154,000	241,000	395,000	-	-	-	-	-	-	-
Food & personal care products										
Treet Corporation Limited	-	329,500	329,500	-	-	-	-	-	-	-
Unity Foods Limited	-	53,678,500	53,678,500	-	-	-	-	-	-	-
Glass & Ceramics										
Shabbir Tiles & Ceramics Limited	-	8,000	8,000	-	-	-	-	-	-	-
Tariq Glass Industries	-	27,500	27,500	-	-	-	-	-	-	-
Miscellaneous										
Siddiqsons Tin Plate Limited	-	129,500	129,500	-	-	-	-	-	-	-
Oil & Gas Exploration Companies										
Oil & Gas Development Company Limited	57,000	2,785,500	2,842,500	-	-	-	-	-	-	-
Pakistan Oilfields Limited	-	86,500	86,500	-	-	-	-	-	-	-
Pakistan Petroleum Limited	642,500	4,221,500	4,864,000	-	-	-	-	-	-	-
Oil & Gas Marketing Companies										
Hascol Petroleum Limited	-	22,889,500	22,889,500	-	-	-	-	-	-	-
Pakistan State Oil Company Limited	286,500	1,545,500	1,832,000	-	-	-	-	-	-	-
Sui Northern Gas Pipelines Limited	-	1,186,000	1,186,000	-	-	-	-	-	-	-
Sui Southern Gas Company Limited	119,500	840,000	959,500	-	-	-	-	-	-	-
Paper And Board										
Century Paper & Board Mills Limited	-	39,500	39,500	-	-	-	-	-	-	-
Pharmaceuticals										
Ferozsons Laboratories Limited	-	12,500	12,500	-	-	-	-	-	-	-
The Searle Company Limited	26,500	1,226,000	1,252,500	-	-	-	-	-	-	-
Power generation & distribution										
Hub Power Company Limited	1,500	3,257,000	3,258,500	-	-	-	-	-	-	-
Kot Addu Power Co. Limited	84,500	3,980,500	4,065,000	-	-	-	-	-	-	-
K-Electric Limited**	1,000	15,106,000	15,107,000	-	-	-	-	-	-	-
Refinery										
Attock Refinery Limited	203,500	4,433,500	4,466,500	170,500	44,113	43,725	(388)	1.20	1.92	0.16
Byco Petroleum Pakistan Limited	-	17,411,000	17,411,000	-	-	-	-	-	-	-
National Refinery Limited	17,500	1,402,000	1,419,500	-	-	-	-	-	-	-
Pakistan Refinery Limited	-	15,020,000	15,020,000	-	44,113	43,725	(388)			
Technology & Communications										
Avanceon Limited	45,500	5,855,000	5,900,500	-	-	-	-	-	-	-
Hum Network Limited	-	11,863,500	11,863,500	-	-	-	-	-	-	-
NetSol Technologies Limited	18,000	2,690,500	2,708,500	-	-	-	-	-	-	-
Pakistan Telecommunication Company Limited	-	1,977,000	1,977,000	-	-	-	-	-	-	-
Trg Pakistan Limited	-	14,293,500	14,293,500	-	-	-	-	-	-	-
Balance carried forward					44,113	43,725	(388)			

\* These transactions relating to shares of related parties

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

Name of investee company	Number of shares				Balance as at June 30, 2021			Market value as a percentage of		Percentage in relation to paid-up capital of the investee company
	As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments	
					----- (Rupees in '000) -----			----- % -----		
Balance brought forward					44,113	43,725	(388)			
Textile Composite										
Gul Ahmed Textile Mills Limited	48,500	1,217,000	1,265,500	-	-	-	-	-	-	-
Nishat (Chunian) Limited*	-	619,000	619,000	-	-	-	-	-	-	-
Nishat Mills Limited*	64,000	1,639,000	1,703,000	-	-	-	-	-	-	-
					-	-	-			
Transport										
Pakistan Interntional Bulk Terminal Limited	531,500	41,467,000	41,998,500	-	-	-	-	-	-	-
					-	-	-			
Total as at June 30, 2021					44,113	43,725	(388)			
Total as at June 30, 2020					323,075	325,426	2,351			

\* These transactions relating to shares of related parties

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

\*\*\*\* Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin for guaranteeing settlement of the Fund's trades in accordance with Circular No. 11 dated October 23, 2007 issued by SECP:

Name of security	June 30, 2021 (Number of shares)	June 30, 2020 (Rupees in '000)	June 30, 2021 (Rupees in '000)	June 30, 2020 (Rupees in '000)
Pak Elektron Limited	-	1,000,000	-	22,930
Maple Leaf Cement Factory Limited	-	900,000	-	23,382

**5.1.2.1** The movement in equity securities represents spread transactions entered into by the Fund. The Fund purchases equity securities in ready settlement market and sells the securities in future settlement market on the same day, resulting in spread income / (loss) due to difference in ready and future stock prices.

**5.1.3 Listed debt securities - Term Finance Certificates (TFCs) and Sukuks**  
(face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates				Balance as at June 30, 2021			Market value as a percentage of	
	As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
<b>Commercial banks</b>									
Habib Bank Limited - TFC (February 19, 2016)*	425	-	425	-	-	-	-	-	-
<b>Fertilizer</b>									
Dawood Hercules Corporation Limited - Sukuk (November 16, 2017) *	2,500	-	2,500	-	-	-	-	-	-
Dawood Hercules Corporation Limited - Sukuk (March 1, 2018) *	1,412	-	1,412	-	-	-	-	-	-
<b>Financial services</b>									
Saudi Pak Leasing Company Limited (March 13, 2010)	10,000	-	-	10,000	27,548				
Less: Provision for impairment (see note 6.1)					(27,548)				
					-	-	-	-	-
<b>Total as at June 30, 2021</b>					<b>-</b>	<b>-</b>	<b>-</b>		
Total as at June 30, 2020					329,507	333,290	3,783		

\* Face value of these term finance certificates is Rs.100,000 per certificate.

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

## 5.1.4 Unlisted debt securities - Term Finance Certificates (TFCs) and Sukuks (face value of Rs.5,000 each unless otherwise stated)

Particulars	Number of certificates				Balance as at June 30, 2021			Market value as a percentage of	
	As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
----- (Rupees in '000) ----- % -----									
<b>Commercial banks</b>									
Askari Bank Limited IV - TFC (September 30, 2014)	39,000	-	39,000	-	-	-	-	-	-
Askari Bank Limited VII - TFC ** (March 17, 2020) (see note 5.1.5)	50	-	-	50	50,000	49,489	(511)	1.36	2.17
The Bank of Punjab Limited - TFC I * (December 23, 2016)	1,200	-	-	1,200	117,533	120,982	3,449	3.32	5.31
The Bank of Punjab Limited - TFC II * (April 23, 2018)	850	-	-	850	74,061	84,877	10,816	2.33	3.73
Samba bank limited (March 1, 2021)*	-	1,850	-	1,850	185,000	185,000	-	5.07	8.12
Bank Al Habib Limited - TFC II (March 17, 2016)	10,480	-	10,480	-	-	-	-	-	-
					426,594	440,348	13,754	12.08	19.33
<b>Chemical</b>									
Ghani Gases Limited - Sukuk * (February 02, 2017)	500	-	-	500	19,350	19,964	614	0.01	0.01
<b>Investment bank</b>									
Jahangir Siddiqui & Company Limited - TFC (July 18, 2017) (see note 5.1.5)	10,000	-	-	10,000	23,217	23,424	207	0.64	0.01
Jahangir Siddiqui & Company Limited - TFC (March 06, 2018)	18,000	-	-	18,000	71,418	71,531	113	0.02	0.03
					94,635	94,955	320	0.66	0.04
<b>Household goods</b>									
New Allied Electronics Industries (Private) Limited - TFC (May 15, 2007)	10,400	-	-	10,400	21,983				
Less: Provision for impairment (see note 6.1)					(21,983)				
					-				
New Allied Electronics Industries (Private) Limited - Sukuk (July 25, 2007)	112,000	-	-	112,000	35,063				
Less: Provision for impairment (see note 6.1)					(35,063)				
					-				
<b>Total as at June 30, 2021</b>					540,579	555,267	14,688		
Total as at June 30, 2020					633,484	614,897	(18,587)		

\* Face value of this sukuk certificate is Rs. 100,000 per certificate.

\*\* Face value of this sukuk certificate is Rs. 1,000,000 per certificate.

**5.1.5** Circular No. 33 of 2012 allows the asset manager to apply a mark up / mark down within available limit for valuation of any specific debt security. Exercising the discretionary power, the above mentioned term finance certificates of Jahangir Siddiqui & Company Limited and Askari Bank Limited has been valued at a discretionary rate of 98.6259 and 98.9779 respectively when the reported market rate on MUFAP valuation sheet as at June 30, 2021 was 100.3844 and 100.4474 respectively.

**5.1.6** Significant terms and conditions of term finance certificates and sukuk outstanding at the year end are as follows:

Name of security	Number of certificates	Face value per certificate	Face value / redemption value in total	Interest rate per annum	Maturity	Secured / unsecured	Rating
<b>Unlisted debt securities</b>							
Askari Bank Limited VII - TFC	50	1,000,000	1,000,000	3M KIBOR + 1.2%	March 17, 2030	Unsecured	AA
Samba Bank Limited	1,850	100,000	100,000	6M KIBOR+1.35%	March 1, 2031	Secured	AA-
The Bank of Punjab Limited - TFC I	1,200	100,000	99,820	6M KIBOR+1%	December 23, 2026	Unsecured	AA
The Bank of Punjab Limited - TFC II	850	100,000	99,880	6M KIBOR+1.25%	April 23, 2028	Unsecured	AA
Ghani Gases Limited - Sukuk	500	100,000	45,833	3M KIBOR+1%	February 2, 2023	Unsecured	A-
Jahangir Siddiqui & Company Limited - TFC	10,000	5,000	2,375	6M KIBOR+1.4%	July 18, 2022	Secured	AA+
Jahangir Siddiqui & Company Limited - TFC	18,000	5,000	4,000	6M KIBOR+1.4%	March 6, 2023	Secured	AA+

The term finance certificates and sukuk held by the Fund are secured against hypothecation of stocks and receivables and mortgage / pledge of fixed assets of the issuer.

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

## 5.1.7 Details of non-compliant investments with the investment criteria as specified by the SECP

In accordance with clause (v) of the investment criteria laid down for 'income scheme' in Circular No. 7 of 2009, the Fund is required to invest in any security having rating not lower than the investment grade (credit rating of BBB and above). However, as at June 30, 2021, the Fund is non-compliant with the above mentioned requirement in respect of the following investments. The securities were in compliance with the circular (i.e. investment grade) at the time of purchase and were subsequently downgraded to non investment grade by MUFAP on default by the respective issuer at the time of repayment of coupon due on the respective dates.

Name of non-compliant investment	Type of investment	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of total investments
----------------------------------	--------------------	--------------------------------------	------------------------	-------------------------------------	--------------------------	---------------------------------

----- Rupees in '000 -----

### Listed debt securities

Saudi Pak Leasing Company Limited	TFC	27,548	(27,548)	-	-	-
-----------------------------------	-----	--------	----------	---	---	---

### Unlisted debt securities

New Allied Electronics Industries (Private) Limited	TFC	21,983	(21,983)	-	-	-
New Allied Electronics Industries (Private) Limited	Sukuk	35,063	(35,063)	-	-	-

Note

June 30,  
2021

June 30,  
2020

## 5.1.8 Net unrealised appreciation / (diminution) on re-measurement of Investments classified as financial assets 'at fair value through profit or loss'

----- (Rupees in '000) -----

Market value of investments	5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2, 5.1.3 & 5.1.4	2,278,357	3,437,545
Less: Carrying value of investments	5.1.1.1, 5.1.1.2, 5.1.1.3, 5.1.2, 5.1.3 & 5.1.4	2,262,022	3,448,474
		<u>16,335</u>	<u>(10,929)</u>

Note

June 30,  
2021

June 30,  
2020

## 6 MARK-UP, DIVIDEND AND OTHER RECEIVABLES

----- (Rupees in '000) -----

Mark-up on:

- Pakistan investment bonds	14,495	1,959
- GOP Ijara Sukuk	61	265
- Term finance certificates	36,576	52,393
- Deposit accounts	7,669	5,119
- Margin trading system	328	-
Dividend receivable	916	-
Other receivables	123	-
	<u>60,168</u>	<u>59,736</u>

Less: provision for impairment	6.1	<u>(25,843)</u>	<u>(25,843)</u>
		<u>34,325</u>	<u>33,893</u>

6.1 Due to continuous default on repayment of coupon by the issuer, the Fund has classified said investments as non-performing debt securities as mentioned in note 5.1.7. The Fund has suspended further accrual of mark-up there against.

Note

June 30,  
2021

June 30,  
2020

## 7 ADVANCES, DEPOSITS AND PREPAYMENTS

----- (Rupees in '000) -----

Security deposits / margin with:

- National Clearing Company of Pakistan Limited (NCCPL)	7.1	17,750	17,750
- Central Depository Company of Pakistan Limited		200	200
Exposure deposit with the National Clearing Company Pakistan Limited against spread transactions		27,274	125,359
Prepaid stability rating fee - PACRA		239	290
Advance tax	7.2	1,607	1,607
		<u>47,070</u>	<u>145,206</u>

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

- 7.1** This includes a deposit of Rs. 2.75 million (2020: Rs. 2.75 million) and a margin of Rs. 15 million (2020: Rs. 15 million) with NCCPL in respect of trading in Margin Trading System.
- 7.2** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on dividend, profit on bank deposits, profit on markup on margin trading system and profit on debt securities paid to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated May 12, 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on debt, profit on bank deposits and dividends amounts to Rs.1.607 million (2020: Rs.1.607 million).

For this purpose, Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Funds together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on dividend, profit on bank deposits, profit on margin trading system and profit on debt securities has been shown as advance tax under 'Advances, deposits and prepayments' as at June 30, 2021 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	June 30, 2021	June 30, 2020
<b>8</b>	<b>PAYABLE TO MCB-ARIF HABIB SAVINGS &amp; INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>	----- (Rupees in '000) -----	
Management remuneration payable	8.1	4,960	5,612
Sindh Sales Tax payable on remuneration of the Management Company	8.2	647	730
Allocated expenses payable	8.3	330	374
Selling and marketing expenses payable	8.4	3,918	4,721
Sales load payable		208	56
		<u>10,064</u>	<u>11,493</u>

- 8.1** As per regulation 61 of the NBFC Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of the management fee as disclosed in the Offering Document subject to the total expense ratio limit. The Management Company has charged its remuneration at the rate of 1.5% per annum (2020: 1.5% per annum) of the average daily net assets of the Fund during the year ended June 30, 2021. The remuneration is payable to the Management Company monthly in arrears.
- 8.2** During the year, an amount of Rs. 7.866 million (2020: Rs. 8.653 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 7.949 million (2020: Rs. 8.544 million) has been paid to the Management Company which acts as a collecting agent.
- 8.3** In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense. These expenses have also been approved by the Board of Directors of the Management Company.

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

- 8.4** The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the average daily net assets of the Fund or actual expenses whichever is lower.

During the year ended June 30, 2020, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Directors of the Management Company as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the BOD of the Management Company.

	Note	June 30, 2021	June 30, 2020
<b>9</b>		----- (Rupees in '000) -----	
<b>PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Remuneration payable	9.1	248	281
Sindh Sales Tax on remuneration payable	9.2	32	36
		<u>280</u>	<u>317</u>

- 9.1** The Trustee is entitled to monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The Fund has charged Trustee Fee at the rate of 0.075% (June 30, 2020: 0.075%) of average daily net assets of the Fund during the year.

- 9.2** During the year, an amount of Rs.0.393 million (2020: Rs.0.433 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs. 0.397 million (2020: Rs. 0.441 million) was paid to the Trustee which acts as a collecting agent.

	Note	June 30, 2021	June 30, 2020
<b>10</b>		(Rupees in '000)	
<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>			
Annual fee	10.1	<u>807</u>	<u>887</u>

- 10.1** In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

In accordance with the SRO No. 685 (I) / 2019 dated June 28, 2019 issued by SECP, the Fund has charged SECP fee at the rate of 0.02% (June 30, 2020: 0.02%) of average daily net assets of the Fund during the year.

	Note	June 30, 2021	June 30, 2020
<b>11</b>		----- (Rupees in '000) -----	
<b>ACCRUED AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund (SWWF)	11.1	42,902	37,629
Provision for Federal Excise Duty payable on remuneration of the Management Company	11.2	99,060	99,060
Federal Excise Duty payable on sales load	11.2	27,933	27,933
Sale load payable to MCB Bank Limited (a related party)		-	390
Auditors' remuneration payable		549	535
Withholding tax payable		2,014	1,464
Brokerage payable		1,037	1,209
Dividend payable		3	2
Other payables		<u>13,381</u>	<u>559</u>
		<u>186,879</u>	<u>168,781</u>

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

- 11.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year amounting to a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2021, the net asset value of the Fund as at June 30, 2021 would have been higher by Rs.1.26 (2020: Re. 1) per unit.

- 11.2** The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company and FED on sales load with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 126.993 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2021 would have been higher by Rs.2.91 (2020: Rs.2.63) per unit.

## **12 CONTINGENCIES AND COMMITMENTS**

### **12.1 Contingencies**

During the current year, DCF Income Fund (DCFIF) has received a notice of tax demand for the tax year 2018 from the Additional Commissioner (Inland) Revenue (ACIR). whereby the ACIR has raised objection on claiming of income already paid on units redeemed" as part of distribution and has thereby challenged the distribution of 90 percent of income and the Fund's eligibility for exemption from tax. The ACIR is of the view that the amount of 'Cash Dividend' paid can only be treated as part of distribution and according to his view the amount of income already paid on units redeemed is not cash Dividend'. The ACIR has raised a tax demand of Rs. 73,375,787 on the Fund in respect of the tax year 2018. Currently, based on the request of the Management Company, the Commissioner Appeals has granted stay of demand until September 15, 2021.

The Management Company contends that the practice being followed by it is as per the applicable regulations and in line with the industry practice. Based on the advice of the tax advisor and merits of the case. the Management Company believes that the assessment will be decided in the favour of the Fund and accordingly, no provision has been recognised in these financial statements.

- 12.2** There were no other material contingencies outstanding as at June 30, 2021 and June 30, 2020.



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

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>12.2 Commitments</b>		
Future sale transactions of equity securities entered into by the Fund in respect of which the sale transactions have not been settled as at year end	45,728	323,536
<b>13 AUDITORS' REMUNERATION</b>		
Annual audit fee	350	350
Half yearly review fee	189	189
Other certifications and services	100	100
Out of pocket expenses	177	218
	<u>816</u>	<u>857</u>

## 14 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2021 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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.

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>15 CASH AND CASH EQUIVALENTS</b>		
Balances with banks	3,014,318	1,643,631
Treasury bills maturing within 3 months	997,458	997,282
	<u>4,011,776</u>	<u>2,640,913</u>

## 16 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2021 is 3.20% (2020: 2.64%) which includes 0.35% (2020: 0.45%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, Sales Taxes, annual fee to SECP etc. The prescribed limit for the ratio is 2.5% (2020: 2.5%) under the NBFC Regulations for a collective investment scheme categorised as a "income scheme". However, collective investment scheme categorised as a "income scheme" which invest in Margin Trading System (MTS) and / or ready future spread transaction, may charge additional MTS and / or ready future spread transaction related expenses upto 0.5% of Net assets to the Scheme. Accordingly, the enhanced prescribed limit for the ratio after incorporating the aforementioned additional expenses is 3% (2020: 3%).

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

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

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

Remuneration to the Management Company of the Fund is determined in accordance with the provision of the NBFC Regulations and the Trust Deed.

Remuneration to the Trustee of the Fund is determined in accordance with the provision of the Trust Deed.

The details of transactions and balances at year end with related parties / connected persons are as follows:

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

	For the year ended June 30, 2021	For the year ended June 30, 2020
	----- (Rupees in '000) -----	
<b>17.1 Details of transactions with connected persons are as follows:</b>		
<b>MCB-Arif Habib Savings and Investment Limited - Management Company</b>		
Remuneration (including indirect taxes)	68,376	75,212
Selling and marketing expenses	15,732	13,977
Allocated expenses	4,034	4,437
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration (including indirect taxes)	3,419	3,761
Settlement charges	1,271	148
<b>Group / associated companies</b>		
<b>MCB Bank Limited</b>		
Mark-up on deposit accounts	87	556
Bank charges	34	29
Sale of Securities having Face Value of Rs 1,065,000,000 (2020: 246,900,000)	1,034,327	233,426
<b>Arif Habib Limited - Brokerage House</b>		
Brokerage and settlement charges*	10	18
<b>Nishat Chunian Power Limited</b>		
Purchase of 619,000 (2020: 467,500) shares	26,233	16,990
Sale of 619,000 (2020: 472,000) shares	26,542	16,816
Dividend income	-	378
<b>D.G. Khan Cement Company Limited</b>		
Purchase of 3,731,000 (2020: 1,927,000) shares	38,833	150,776
Sale of 4,245,500 (2020: 1,412,500) shares	416,842	109,993
<b>Nishat Mills Limited</b>		
Purchase of 1,639,000 (2020: 512,000) shares	162,649	45,137
Sale of 1,703,000 (2020: 448,500) shares	161,200	40,012
Dividend income	2,792	740
<b>Power Cement Limited</b>		
Purchase of 3,036,500 (2020: NIL) shares	30,700	-
Sale of 3,036,500 (2020: NIL) shares	30,977	-
<b>17.2 Amounts outstanding at year end</b>		
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	4,960	5,612
Sindh sales tax payable on remuneration of the management company	647	730
Allocated expenses payable	330	374
Selling and marketing expenses payable	3,918	4,721
Sales load payable	184	50
Sales tax payable on sales load	24	6
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable (including indirect taxes)	281	317
Security deposit	200	200
<b>Group / associated companies</b>		
<b>MCB Bank Limited</b>		
Balances with banks	602	22,634
Sales load payable	-	390
<b>MCB Islamic Bank Limited</b>		
Balances with banks	10	11
<b>Arif Habib - Brokerage House</b>		
Brokerage and settlement charges payable*	3	-
<b>D.G. Khan Cement Company Limited</b>		
NIL (2020: 514,500) shares held	-	43,902
<b>Nishat Mills Limited</b>		
Nil (2020: 64,000) shares held	-	4,993

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

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

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

	June 30, 2021							
	As at July 01, 2020	Issued for cash	Redeemed	As at June 30, 2021	As at July 01, 2020	Issued for cash	Redeemed	As at June 30, 2021
	Units			(Rupees in '000)				
Group / associated companies								
MCB-Arif Habib Savings & Investment Limited	-	9,344	9,344	-	-	1,015	1,015	-
MCB Employees' Provident Fund	1,573,656	103,437	-	1,677,093	168,326	11,068	-	179,536
MCB Employees' Pension Fund	1,573,656	103,437	-	1,677,093	168,326	11,068	-	179,536
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	4,733	311	-	5,044	506	33	-	540
Mandate under discretionary portfolio services*	10,284	-	-	10,284	1,100	-	-	1,101

\*This reflects the position of related party / connected persons status as at June 30, 2021

	June 30, 2020							
	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020
	Units				(Rupees in '000)			
Group / associated companies								
MCB-Arif Habib Savings & Investment Limited	-	3,794,369	3,794,369	-	-	442,543	446,650	-
MCB Employees' Provident Fund	1,414,434	159,222	-	1,573,656	150,714	17,040	-	168,326
MCB Employees' Pension Fund	1,414,434	159,222	-	1,573,656	150,714	17,040	-	168,326
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	4,254	479	-	4,733	453	51	-	506
Mandate under discretionary portfolio services								
	-	106,279,129	106,268,845	10,284	-	12,305,755	12,324,452	1,100
Key management personnel*	-	31.200	31.200	-	-	3,411	3.425	-

\*This reflects the position of related party / connected persons status as at June 30, 2020

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

### Financial Assets

As at June 30, 2021		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Balances with banks	3,014,318	-
Investments	-	2,278,357
Mark-up, dividend and other receivables	34,325	-
Receivable against margin trading system	49,596	-
Receivable against sale of investments	386,229	-
Deposits and others	45,224	-
<b>3,529,692</b>	<b>2,278,357</b>	<b>5,808,049</b>

### Financial Liabilities

As at June 30, 2021		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
Payable to MCB-Arif Habib Savings & Investments Limited - Management Company	10,064	-
Payable to Central Depository Company of Pakistan Limited - Trustee	280	-
Payable against purchase of investments	1,965,915	-
Accrued and other liabilities	2,261	-
<b>1,978,520</b>	<b>-</b>	<b>1,978,520</b>

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

## Financial Assets

Balances with banks
Investments
Mark-up, dividend and other receivables
Receivable against sale of investments
Deposits and others

----- As at June 30, 2020 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
1,643,631	-	1,643,631
-	3,437,545	3,437,545
33,893	-	33,893
-	-	-
143,309	-	143,309
1,820,833	3,437,545	5,258,378

## Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company
Payable to Central Depository Company of Pakistan Limited - Trustee
Payable against purchase of investments
Accrued and other liabilities

----- As at June 30, 2020 -----		
At amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
11,493	-	11,493
317	-	317
1,046,022	-	1,046,022
2,695	-	2,695
1,060,527	-	1,060,527

## 19 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Fund's objective in managing risk is the protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

#### (i) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund does not have any financial instruments in foreign currencies and hence is not exposed to such risk.

#### (ii) Interest rate risk

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, 2021, the Fund is exposed to such risk on its balances held with banks, investments in sukuk certificates, term finance certificates, market treasury bills and Pakistan Investment Bonds. 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.

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

As at June 30, 2021, the Fund holds KIBOR based interest bearing term finance and sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on the last repricing date, with all other variables held constant, the net assets value of the Fund and the net income for the year would have been higher / lower by Rs.8.904 million (2020: Rs.9.482 million).

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

The Fund holds Term Finance Certificates and Sukuks classified as 'fair value through profit or loss' exposing the Fund to interest rate fair value risk. In case of a 5% increase / decrease in rates determined by MUFAP as on June 30, 2021, the net assets value of the Fund and the net income for the year would increase / decrease by Rs. 44.52 million (2020: Rs.47.41 million), as a result of reduction / increase in unrealised gains / (losses) respectively.

The Fund also holds KIBOR based bank deposits exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR at year end, the net assets value of the Fund and the net income for the year would be higher / lower by Rs 30.14 million (2020: Rs 16.22 million).

### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2021, the Fund holds Market treasury bills and Pakistan investment bonds which are classified 'at fair value through profit or loss, 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, 2021, with all other variables held constant, the net assets value of the Fund and the net income for the year would be lower / higher by Rs.13.050 million (2020: Rs.14.795 million).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2021 can be determined as follows:

June 30, 2021					
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

(Rupees in '000)

#### On-balance sheet financial instruments

##### Financial Assets

Balances with banks	5.5% to 8.5%	3,014,279	-	-	39	3,014,318
Investments						
- Market Treasury Bills	7.19%	997,458	-	-	-	997,458
- Pakistan Investment Bonds	7.13% to 8.72%	-	11,000	631,679	-	642,679
- Government Debt Securities	7.38%	-	-	37,725	-	37,725
- Unlisted debt securities	3M KIBOR+1%'to 6M KIBOR+1.4%	69,453	485,814	-	-	555,267
- Listed equity securities		-	-	-	43,725	43,725
- Future stock contracts		-	-	-	1,503	1,503
		1,066,911	496,814	669,404	45,228	2,278,357
Mark-up, dividend and other receivables		-	-	-	34,325	34,325
Receivable against margin trading system		-	-	-	49,596	49,596
Receivable against sale of investments		-	-	-	386,229	386,229
Deposits and others		-	-	-	45,224	45,224
		4,081,190	496,814	669,404	560,641	5,808,049

##### Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		-	-	-	10,064	10,064
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	280	280
Payable against purchase of investments		-	-	-	1,965,915	1,965,915
Accrued and other liabilities		-	-	-	2,261	2,261
		-	-	-	1,978,520	1,978,520

#### On-balance sheet gap (a)

4,081,190	496,814	669,404	(1,417,879)	3,829,529
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#### Off-balance sheet financial instruments

-	-	-	(45,728)	-
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#### Off-balance sheet gap (b)

-	-	-	(45,728)	-
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#### Total profit rate sensitivity gap (a+b)

4,081,190	496,814	669,404		
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#### Cumulative profit rate sensitivity gap

4,081,190	4,578,004	5,247,408		
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

June 30, 2020 -----					
Yield / effective interest rate (%)	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk	Total
	Upto three months	More than three months and upto one year	More than one year		

----- (Rupees in '000) -----

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	4.5% to 14.45%	1,622,033	-	-	21,598	1,643,631
Investments						
- Market Treasury Bills	7.14% to 13.09%	997,282	76,127	-	-	1,073,409
- Pakistan Investment Bonds	8.27% to 13.09%	-	-	406,133	-	406,133
- Government Debt Securities	6M KIBOR + 0.1% and 7.38%	-	-	687,931	-	687,931
- Listed debt securities	3M KIBOR+1% to 6M KIBOR+1.25%	291,757	41,533	-	-	333,290
- Unlisted debt securities	3M KIBOR+1% to 6M KIBOR+1.4%	69,350	545,547	-	-	614,897
- Listed equity securities		-	-	-	325,426	325,426
- Future stock contracts		-	-	-	(3,541)	(3,541)
		1,358,389	76,127	1,681,144	321,885	3,437,545
Mark-up, dividend and other receivables		-	-	-	33,893	33,893
Deposits and others		-	-	-	143,309	143,309
		<u>2,980,422</u>	<u>76,127</u>	<u>1,681,144</u>	<u>520,685</u>	<u>5,258,378</u>

### Financial Liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company		-	-	-	11,493	11,493
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	317	317
Payable against purchase of investments		-	-	-	1,046,022	1,046,022
Accrued expenses and other liabilities		-	-	-	2,695	2,695
		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,060,527</u>	<u>1,060,527</u>

## On-balance sheet gap (a)

<u>2,980,422</u>	<u>76,127</u>	<u>1,681,144</u>	<u>(539,842)</u>	<u>4,197,851</u>
------------------	---------------	------------------	------------------	------------------

## Off-balance sheet financial instruments

-	-	-	(323,536)	-
---	---	---	-----------	---

## Off-balance sheet gap (b)

<u>-</u>	<u>-</u>	<u>-</u>	<u>(323,536)</u>	<u>-</u>
----------	----------	----------	------------------	----------

## Total profit rate sensitivity gap (a+b)

<u>2,980,422</u>	<u>76,127</u>	<u>1,681,144</u>
------------------	---------------	------------------

## Cumulative profit rate sensitivity gap

<u>2,980,422</u>	<u>3,056,549</u>	<u>4,737,693</u>
------------------	------------------	------------------

## (iii) Price risk

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

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's constitutive documents, the NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments and their fair values exposed to price risk as at the year end are concentrated in the sectors given in note 5.1.2.

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

	June 30, 2021	June 30, 2020
	---- (Rupees in '000) ----	
Investments	2,186	16,271
Income statement	2,186	16,271



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

## 19.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

The Fund is exposed to counter party credit risks on investments (other than treasury bills and PIBs), balances with banks and other receivables. The credit risk on the Fund is limited because the counterparties are financial institutions with reasonably high credit ratings. Investments in Treasury bills and Pakistan Investment Bonds are government backed and hence considered as secured.

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

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

The table below analyses the Fund's maximum exposure to credit risk:

	2021		2020	
	Balance as per statement of assets and	Maximum exposure to credit risk	Balance as per statement of assets and	Maximum exposure to credit risk
----- (Rupees in '000) -----				
Balances with banks	3,014,318	3,014,318	1,643,631	1,643,631
Investments in government securities	1,677,862	-	2,167,473	-
Investments in debt securities	555,267	555,267	948,187	948,187
Investments in equity securities	43,725	-	325,426	-
Investments in future stock contracts	1,503	-	(3,541)	-
Mark-up, dividend and other receivables	34,325	19,769	33,893	27,165
Receivable against margin trading system	49,596	49,596	-	-
Receivable against sale of investments	386,229	386,229	-	-
Deposits and others	45,224	45,224	143,309	143,309
	<u>5,808,049</u>	<u>4,070,403</u>	<u>5,258,378</u>	<u>2,762,292</u>

Difference in the balance as per statement of asset and liabilities and maximum exposure is due to the fact that investments in government securities, equity securities, future stock contracts and profit receivable from government securities amounting to Rs 1,677.862 (2020: Rs 2,167.473) million, Rs 43.725 (2020: Rs 325.426) million, Rs.1.503 {2020: Rs (3.541)} million and Rs 14.556 (2020: 6.728) million respectively is not exposed to credit risk.

The analysis below summaries the credit rating quality of the Fund's financial assets.

Bank balances by rating category	June 30, 2021	June 30, 2020
	----- % -----	
AAA	69.27	95.31
AA+	0.37	4.69
AA	0.09	-
AA-	12.46	-
A+	17.81	-
A*	-	-
A-	-	-
	<u>100.00</u>	<u>100.00</u>

Nil figures due to rounding off

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

\* The analysis below summarizes the credit quality of the Fund's investment in term finance certificates, sukuks and government securities as at June 30, 2021 and June 30, 2020:

	June 30, 2021	June 30, 2020
<b>Investments by rating category</b>	----- % -----	----- % -----
Government securities	75.14	43.37
AAA, AA, AA-, AA+	23.97	55.41
A, A-, A+	0.89	1.22
	100.00	100.00

## **Concentration of credit risk**

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

## **Settlement risk**

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

## **19.3 Liquidity risk**

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

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

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

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

June 30, 2021						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						
10,064	-	-	-	-	-	10,064
280	-	-	-	-	-	280
1,965,915	-	-	-	-	-	1,965,915
2,261	-	-	-	-	-	2,261
1,978,520	-	-	-	-	-	1,978,520

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

June 30, 2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total
Rupees in '000						

## Financial liabilities

Payable to MCB-Arif Habib Savings & Investments Limited - Management Company  
Payable to Central Depository Company of Pakistan Limited - Trustee  
Payable against purchase of investments  
Accrued and other liabilities

11,493	-	-	-	-	-	11,493
317	-	-	-	-	-	317
1,046,022	-	-	-	-	-	1,046,022
2,695	-	-	-	-	-	2,695
<b>1,060,527</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,060,527</b>

20

## FAIR VALUE MEASUREMENTS

Fair value is 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. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

## Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

The Fund held the following financial instruments measured at fair values:

June 30, 2021			
Fair value			
Level 1	Level 2	Level 3	Total
(Rupees in '000)			

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

Market treasury bills	-	997,458	-	997,458
Pakistan investment bonds	-	642,679	-	642,679
Government Debt securities	-	37,725	-	37,725
Listed equity securities	43,725	-	-	43,725
Unlisted debt securities	-	555,267	-	555,267
Future stock contracts	1,503	-	-	1,503
	<b>45,228</b>	<b>2,233,129</b>	<b>-</b>	<b>2,278,357</b>

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

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

Market treasury bills	-	1,073,409	-	1,073,409
Pakistan investment bonds	-	406,133	-	406,133
Government Debt securities	-	687,931	-	687,931
Listed equity securities	325,426	-	-	325,426
Listed debt securities	-	333,290	-	333,290
Unlisted debt securities	-	614,897	-	614,897
Future stock contracts	(3,541)	-	-	(3,541)
	<u>321,885</u>	<u>3,115,660</u>	<u>-</u>	<u>3,437,545</u>

## 21 UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of their proportionate share of the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in unit holders' Fund'.

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

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to the unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

In accordance with the risk management policies as stated in note 19, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions, such liquidity being augmented by disposal of investments or short-term borrowings, where necessary.

## 22 PATTERN OF UNITHOLDINGS

----- June 30, 2021 -----

	Number of unit holders	Number of units held	Investment Amount	Percentage of total investments

----- June 30, 2020 -----				
	Number of unit holders	Number of units held	Investment Amount	Percentage of total investments
(Rupees in '000)				
Individuals	2,200	28,578,791	3,056,928	75.80%
Associated companies	3	3,152,046	337,157	8.36%
Retirement funds	26	3,298,016	352,772	8.75%
Others	83	2,672,994	285,918	7.09%
	<u>2,312</u>	<u>37,701,847</u>	<u>4,032,775</u>	<u>100%</u>

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

## 23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

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

	June 30, 2021 (Percentage)
1 Adam Securities Pvt Ltd	38.31%
2 Top Line Securities Pvt Ltd	32.55%
3 Multiline Securities Pvt Ltd	7.87%
4 Mra Securities Limited	6.73%
5 Js Global Capital Limited	5.40%
6 Efg Hermes Pakistan Limited	3.74%
7 Bma Capital Management Ltd	1.00%
8 Next Capital Ltd	0.94%
9 Continental Exchange Pvt Ltd	0.69%
10 Invest One Markets Limited	0.58%
	June 30, 2020 (Percentage)
1 Adam Securities Private Limited	25.33%
2 Efg Hermes Pakistan Limited	16.18%
3 Mra Securities Limited	14.80%
4 Top Line Securities Private Limited	12.36%
5 Invest One Markets Limited	5.13%
6 Continental Exchange Private Limited	4.55%
7 Multiline Securities Private Limited	4.35%
8 Alfalah Clsa Securities Private Limited	4.17%
9 C & M Management Private Limited	1.94%
10 Paramount Capital Private Limited	1.91%

## 24 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of persons attending the meetings	Designation	Number of meetings held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave granted	
Mr. Haroun Rashid	Chairman	11	11	11	-	-
Mr. Nasim Beg	Director	11	11	11	-	-
Mr. Ahmed Jahangir	Director	11	11	11	-	-
Mr. Mirza Qamar Beg	Director	11	11	11	-	-
Syed Savail Meekal Hussain	Director	11	11	11	-	-
Mr. Kashif A. Habib	Director	11	11	10	1	165
Ms. Mavra Adil Khan	Director	11	11	8	3	159, 163 & 167
Mr. Muhammad Saqib Saleem (CEO)	Chief Executive Officer	11	11	11	-	-

## 25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
2	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	17
3	Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	11
4	Mr. Saad Ahmed	Head of Fixed Income	MBA	16
5	Syed Mohammad Usama Iqbal	Fund Manager	Graduate	17

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

**25.1** Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Income Enhancement Fund
- Pakistan Cash Management Optimizer Fund
- Pakistan Cash Management Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund

## **26 GENERAL**

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

### **26.1 Impact of COVID-19**

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts. The Securities and Exchange Commission of Pakistan (SECP) had provided certain time bound relaxations to CISs operating in Pakistan in order to provide temporary relaxation against covid pandemic. All of the relaxations provided have expired prior to June 30, 2021.

The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

### **26.2 Subsequent Event**

Subsequent to the year ended June 30, 2021, Sindh Revenue Board (SRB) through its letter dated August 12, 2021 Has intimated Mutual Funds Association of Pakistan's (MUFAP) that the mutual funds do not qualify as Financial Institutions /Industrial Establishments and are therefore, not label to pay the Sindh Workers' Welfare Fund (SWWF) contributions. This development was discussed at MUFAP level and was also been taken up with the the Securities and Exchange Commission of Pakistan (SECP). All the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds. For the period from May 21, 2015 to August 12, 2021, on August 13, 2021.

The SECP has given its concurrence for prospective reversal of provision for SWWF through its letter dated August 30, 2021. Accordingly. Going forward, no provision for SWWF would be recognized in the financial statements of the Fund. Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2021, the net asset value per unit of the Fund as at June 30, 2021 would have been higher by Rs 1.26 (2020: Re 1).

## **27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 09, 2021 And further amended on September 15, 2021 to incorporate the subsequent event as disclosed in note 26.2 to these financial statements

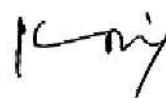
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



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

No. of Unit Holders	Unit Holdings	Total Units Held
699	001-10,000	13,313
354	10,001 – 100,000	120,447
683	100,001 – 1,000,000	2,897,425
544	1,000,001+	31,026,483
<b>2280</b>		<b>34,057,826</b>

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

Performance Information	2021	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	3,645.950	4,032.7759	3,933.4452	4,872.0000	6,190.0000
Net Assets value per unit – Rupees	107.0518	106.9649	106.5542	111.3412	106.4294
Closing Offer Price	108.8663	108.7780	108.3603	113.2284	108.2334
Closing Repurchase Price	104.6324	103.3388	106.5542	111.3412	106.4294
Highest offer price per unit	115.9956	121.0894	116.6078	113.3493	114.7823
Lowest offer price per unit	110.9321	108.3913	108.2969	108.2995	107.6412
Highest Redemption price per unit	114.0622	119.0711	114.6642	111.3412	112.8692
Lowest Redemption price per unit	105.3852	106.5847	106.4919	105.0384	105.8159
Distribution per unit – Rs. *	7.0333	12.0476	13.0796	-	6.5000
<b>Average Annual Return - %</b>					
One year	6.66	11.69	7.80	4.62	6.50
Two year	9.18	9.75	6.21	5.56	6.37
Three year (inception date Mar 01, 2007)	8.72	8.04	6.31	5.78	8.46
Net Income for the year – Rs. in million	258.3900	485.9330	292.7500	245.6301	289.0320
Distribution made during the year – Rs. in million	256.1370	471.0610	497.0410	-	259.4510
Accumulated Capital Growth – Rs. in million	2.2530	14.8720	(204.2910)	245.6301	29.5810
Weighted average Portfolio Duration (years)	1.5	2.8	1.3	1.4	1.6

\* Date of Distribution

2021	
Date	Rate

June 25, 2021 7.0333

2020	
Date	Rate

June 26, 2020 12.0476

2019	
Date	Rate

July 04, 2019 4.8783

June 28, 2019 8.2013

2018	
Date	Rate

Nil

2017	
Date	Rate

June 21, 2017 6.50

### Disclaimer

The past performance is not necessarily indicative

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

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

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



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

# ANNUAL REPORT 2021

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



Savings Asaan. Life Asaan.

# **ALHAMRA ISLAMIC INCOME FUND**

## TABLE OF CONTENTS

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1	Fund's Information	594
2	Report of the Director of the Management Company	595
3	Report of the Fund Manager	606
4	Trustee Report to the Unit Holders	608
5	Report of the Shariah Advisory Board	609
6	Independent Auditor's Report to the Unit Holders	610
7	Statement of Assets and Liabilities	613
8	Income Statement	614
9	Statement of Other Comprehensive Income	615
10	Statement of Movement in Unit Holder's Fund	616
11	Cash Flow Statement	617
12	Notes to and Forming Part of the Financial Statements	618
13	Pattern of Units Holding by Size	641
14	Performance Table	642



## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Bank Islami Pakistan Limited Habib Bank Limited United Bank Limited Dubai Islamic Bank Pakistan Limited Meezan Bank Limited Askari Bank Limited Bank Al-Habib Limited NRSP Micro Finance Bank Limited Silk Bank Limited National Bank of Pakistan Habib Metropolitan Bank Limited Faysal Bank Limited MCB Islamic Bank Limited Soneri Bank Limited	
<b>Auditors</b>	<b>Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block-7 & 8 KCHSU, Shahrah-e-Faisal, Karachi-753550.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM1</b> Asset Manager Rating assigned by PACRA	

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

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**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present **Alhamra Islamic Income Fund** accounts review for the year ended **June 30, 2021**.

## **Economy and Money Market Review**

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

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

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

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

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

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

## **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 6.51 per cent as against its benchmark return of 3.54 per cent.

The fund was 10.8 per cent invested in Corporate Sukuks while significant exposure was in Cash. The Net Assets of the Fund as at June 30, 2021 stood at Rs. 5,575 million as compared to Rs. 4,442 million as at June 30, 2020 registering an increase of 25.51 per cent.

The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 101.9608 as compared to opening NAV of Rs. 101.8452 per unit as at June 30, 2020 registering an increase of Rs. 0.1156 per unit.

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

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SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. On August 13, 2021 the management in consultation with MUFAP and after concurrence for prospective reversal of provision of SWWF from SECP, reversed the cumulative provision for SWWF recognized in the fund for the period from May 21, 2015 to August 12, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the fund. This reversal of provision has contributed towards an unusual increase in NAV of the Fund on August 13, 2021. This is one-off event and is not likely to be repeated in the future. For further details, refer note 11.1 to the financial statements.

### **Economy & Market – Future Outlook**

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

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

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

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

### **Mutual Fund Industry Review**

The Net Assets of the open end mutual fund industry increased by about 37.2 per cent to PKR 1,018 billion in this fiscal year. Money market funds and Fixed Income funds experienced an influx of investment as corporate liquidity swiftly moving towards mutual funds. Total money market funds grew by about 48 per cent during the period to PKR 467 billion. Within the money market sphere, the conventional funds dominated as they grew by about 39 per cent to PKR 285 billion. Equity and related funds surged rapidly by 33 per cent from PKR 224 billion to PKR 299 billion over the year. Most of the rise in equity and equity linked fund assets can be attributed to a positive uptick in the market that was up approx. 38 per cent YoY owing to favorable investor sentiments.

In terms of the segment share, Money Market funds were the leader with a share of around 46 per cent, followed by Equity and Equity related funds with a share of 30 per cent and Income funds having a share of 24 per cent as at the end of the fiscal year.

### **Mutual Fund Industry Outlook**

Record decline in interest rates have reinstated the confidence in risk asset classes. We expect liquidity to gear up towards equity and related funds. The sustainability of liquidity will however depend on how the economy transitions through this phase of pandemic. Our operations remained seamless and given our competitive edge

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

due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

### Corporate Governance

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

The Board consists of 1 female and 7 male directors. The details are as under:

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

\* HR&R stands for Human Resource and Remuneration

Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The Board of Directors is pleased to report that:

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

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

- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2021, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2021:

### 1. Meeting of the Audit Committee.

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

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

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

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

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

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

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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	31	-	1
2	Muhammad Asif Mehdi Rizvi	Chief Operating & Financial Officer	68,589	68,589	-
3	Altaf Ahmed Faisal	Company Secretary	88,021	96,244	-

### External Auditors

The fund's external auditors, **Yousuf Adil Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2022. The audit committee of the Board has recommended reappointment of **Yousuf Adil Chartered Accountants** as auditors of the fund for the year ending June 30, 2022.

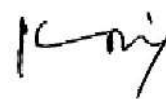
### ACKNOWLEDGMENT

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

On behalf of Directors,



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



**Kashif A. Habib**  
Director

## ڈائریکٹرز رپورٹ

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹر **Yousuf Adil** چارٹرڈ اکاؤنٹنٹس، نے فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر جاری رہنے کی رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے **Yousuf Adil** چارٹرڈ اکاؤنٹنٹس کی فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر دوبارہ تقرری کی سفارش پیش کی ہے۔

### اظہار تشکر

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

### من جانب ڈائریکٹرز



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

15 ستمبر 2021ء



کاشف اے حبیب

ڈائریکٹر



## ڈائریکٹرز رپورٹ

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

۲۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

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

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

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

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
نوٹس کی تعداد					
۱	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	31	-	1
۲	محمد آصف مہدی رضوی	چیف آپریشن اینڈ فنانس انشیل آفیسر	68,589	68,589	-
۳	الطاف احمد فیصل	کمپنی سیکریٹری	88,021	96,244	-

## ڈائریکٹرز رپورٹ

رکھے ہوئے ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کی لسٹنگ ریگولیشنز، جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کو واضح کیا گیا ہے، کے مطابق کاروبار کرنے پر کاربند ہے۔

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

- a. مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
  - b. کمپنی کی درست بکس آف اکاؤنٹس بنائی گئی ہیں؛
  - c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں؛
  - d. مالیاتی گوشواروں کی تیاری میں پاکستان میں حتمی الإطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات، non بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، non بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹیلیٹرز ریگولیشنز 2008، متعلقہ ٹرسٹ ڈیڈز کی ضروریات اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی 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؛
  - f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں؛
  - g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛
  - h. واجب الاداء ٹیکس، قانونی چارہ اور ڈیویڈنڈ (محصولات اور چنگی وغیرہ) کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
  - i. پراویڈنٹ / گریجویٹس اور پنشن فنڈ کی سرمایہ کاریوں کی قدر کے بیان کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے؛ چنانچہ ڈائریکٹرز رپورٹ میں کوئی اظہار نہیں کیا گیا ہے۔
  - j. 30 جون 2021ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر عمل پیرا ہے۔
  - k. این بی ایف سی ریگولیشنز کے مطابق مطلوب پونٹ ہولڈنگ کا تفصیلی خاکہ منسلک ہے۔
  - ا. بورڈ آف ڈائریکٹرز مینٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کر دی گئی ہیں۔ سال مختتمہ 30 جون 2021ء کے دوران ہونے والی کمیٹی مینٹنگز کی تفصیلات درج ذیل ہیں:
- ۱۔ آڈٹ کمیٹی کی مینٹنگ
- دوران سال آڈٹ کمیٹی کی نو (9) مینٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے

## ڈائریکٹرز رپورٹ

دورانِ مدت تقریباً 48 فیصد بڑھ کر 467 بلین روپے ہو گئے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز حاوی رہے اور تقریباً 39 فیصد بڑھ کر 285 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز میں دورانِ سال 33 فیصد کا بھرپور اضافہ ہوا اور وہ 224 بلین روپے سے 299 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز کے اثاثہ جات میں اضافے کا بڑا سبب سرمایہ کاروں کے مثبت جذبات کی بدولت مارکیٹ میں 38 فیصد سال در سال (YoY) ترقی کو قرار دیا جاسکتا ہے۔

شعبہ جاتی حصے کے اعتبار سے مالی سال کے اختتام پر منی مارکیٹ فنڈز تقریباً 46 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ ایکویٹی اور متعلقہ فنڈز تقریباً 30 فیصد، اور انکم فنڈز تقریباً 24 فیصد کے حامل تھے۔

### میوچل فنڈ صنعت کے مستقبل کا منظر

سود کی شرحوں میں اب تک کی سب سے زیادہ کمی کی بدولت خطرات کے حامل اثاثہ جات میں اعتماد بحال ہوا ہے۔ ہم امید کرتے ہیں کہ ایکویٹی اور متعلقہ فنڈز کے شعبے میں نقدیت کی صورتحال بہتر ہوگی۔ تاہم نقدیت کی پائیداری کا انحصار اس بات پر ہوگا کہ معیشت اس وباء کے مرحلے سے کس طرح گزرتی ہے۔ ہمارے آپریشنز پلار کاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سبقت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکے۔

### کارپوریٹ گورننس

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

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

\* ایچ آر اینڈ آر: ہیومن ریسورس اینڈ ریمونریشن

مینجمنٹ کوڈ آف کارپوریٹ گورننس میں متعین کردہ بہترین روایات کی دفعات، خصوصاً نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، کی تعمیل جاری

## ڈائریکٹر رپورٹ

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.51 فیصد تھا، جبکہ مقررہ معیار کا منافع 3.54 فیصد تھا۔ فنڈ کی سرمایہ کاری کا رپورٹ سسٹم میں 10.8 فیصد تھی، جبکہ نقد میں قابل ذکر شمولیت تھی۔ 30 جون 2021ء کو فنڈ کے net اثاثہ جات 5,575 ملین روپے تھے جو 30 جون 2020ء کی سطح 4,442 ملین روپے کے مقابلے میں 25.51 فیصد اضافہ ہے۔ 30 جون 2021ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 101.9608 روپے تھی جو 30 جون 2020ء کو ابتدائی این اے وی 101.8452 روپے فی یونٹ کے مقابلے میں 0.1156 روپے فی یونٹ اضافہ ہے۔

ایس آر بی نے اپنے خط مؤرخہ 12 اگست 2021ء کے ذریعے، جو MUFAP کو 13 اگست 2021ء کو موصول ہوا، MUFAP کو مطلع کر دیا ہے کہ میوچل فنڈ ز مالیاتی اداروں / صنعتی اسٹیبلشمنٹس کے طور پر اہل نہیں ہیں اور چنانچہ SWWF کے شراکتی حصے ان پر واجب الاداء نہیں ہیں۔ 13 اگست 2021ء کو انتظامیہ نے MUFAP سے مشورے کے بعد اور ایس ای سی پی سے SWWF کے پراویژن کی متوقع تقلیب پر اتفاق رائے کے بعد فنڈ میں 21 مئی 2015ء تا 12 اگست 2021ء کی مدت تک کے لیے کیے گئے SWWF کے مجموعی پراویژن کی تقلیب کر دی ہے۔ چنانچہ آئندہ فنڈ میں SWWF کے لیے کوئی پراویژن نہیں کیا جائے گا۔ پراویژن کی تقلیب کے باعث 13 اگست 2021ء کو فنڈ کی net اثاثہ جاتی قدر (این اے وی) میں غیر معمولی اضافہ ہوا۔ یہ واقعہ صرف ایک مرتبہ ہوا ہے اور اس کے دوبارہ ہونے کا امکان نہیں ہے۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 11.1 ملاحظہ فرمائیے۔

### معیشت اور بازار - مستقبل کا منظر

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

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

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

### میوچل فنڈ صنعت کا جائزہ

اوپن end میوچل فنڈ صنعت کے net اثاثہ جات اس مالی سال میں تقریباً 37.2 فیصد بڑھ کر 1,018 ملین روپے ہو گئے۔ منی مارکیٹ فنڈ ز اور فیکسڈ انکم فنڈز میں خطیر سرمایہ کاری ہوئی کیونکہ کارپوریٹ نقدیت تیزی سے میوچل فنڈز کی جانب بڑھ رہی ہے۔ منی مارکیٹ کے مجموعی فنڈز



بورڈ آف ڈائریکٹرز کی جانب سے الحمد للہ اسلامک انکم فنڈ کے گوشواروں مختتمہ 30 جون 2021ء کا جائزہ پیش خدمت ہے۔

### معیشت اور بازار زر کا جائزہ

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

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

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

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

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

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

### Fund Type and Category

Alhamra Islamic Income Fund (Formerly: MCB Islamic Income Fund) is an Open-End Shariah Compliant (Islamic) Income Scheme.

### Fund Benchmark

The benchmark for ALHIIF is Six (6) months average deposits rates of three (3) A rated Scheduled Islamic Banks or Islamic windows of Conventional Banks as selected by MUFAP.

### Investment Objective

To generate superior risk adjusted returns by investing in short, medium and long-term Shariah Compliant Fixed income instruments.

### Investment Strategy

The Fund shall seek to provide the investors with a rate of return consistent with a broadly diversified portfolio of long, medium and short term, high quality Shariah Compliant fixed income instruments.

### Manager's Review

During the period under review, the fund generated an annualized return of 6.51% as against its benchmark return of 3.54%. The fund was 14.6% in Government Backed Securities, 10.8% invested in Sukuks 6.0% in Shariah Compliant Commercial Paper while remaining exposure was in Cash.

The Net Assets of the Fund as at June 30, 2021 stood at Rs. 5,484 million as compared to Rs. 4,442 million as at June 30, 2020 registering an increase of 23.5%. The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 101.9608 as compared to opening NAV of Rs. 101.8452 per unit as at June 30, 2020 registering an increase of Rs. 0.1156 per unit.

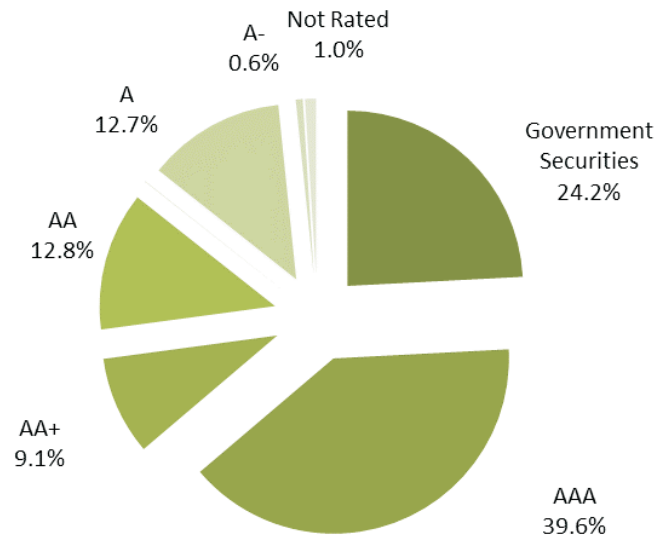
### Asset Allocation as on June 30, 2021 (% of total assets)

Asset Allocation (%age of Total Assets)	Jun-21
Cash	43.6%
Sukuks	10.8%
Government Backed / Guaranteed Securities	14.6%
GoP Ijara Sukuk	9.6%
Shariah Compliant Commercial Papers	6.0%
Others including Receivables	1.0%
Shariah Compliant Bank Deposits	14.4%

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

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



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**Syed Mohammad 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

### ALHAMRA ISLAMIC 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 Alhamra Islamic 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, 2021 in accordance with the provisions of the following:

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



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

Karachi: September 09, 2021



## REPORT OF THE SHARIAH ADVISORY BOARD

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Karachi: September 10, 2021

### REPORT OF THE SHARIAH ADVISORY BOARD

Alhamdulillah, We the Shariah Advisory Board of the Fund, are issuing this report in accordance with the Offering document of Alhamra Islamic Income Fund (the Fund). The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation made by the management, to the extent where such compliance can be objectively verified.

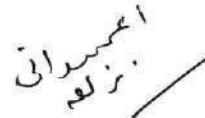
A review is limited primarily to inquire to the Management Company's personnel and review of various documents prepared by the management company to comply with prescribed criteria. In the light of the above, we hereby certify that:

- We have reviewed and approved the modes of investment of ALHIIF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of ALHIIF by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of ALHIIF for the period from July 01, 2020 to June 30, 2021 have been in compliance with Shariah principles.

May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the hereafter, and forgive our mistakes.



Dr Muhammad Zubair Usmani  
(Shariah Advisor)



Dr Ejaz Ahmed Samadani  
(Shariah Advisor)

**For and on behalf of Shariah Advisory Board**

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Yousuf Adil  
Chartered Accountants

Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahr-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21-3454 1314  
www.yousufadil.com

## INDEPENDENT AUDITOR'S REPORT

To The Unit Holders of Alhamra Islamic Income Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Alhamra Islamic Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and statement of cash flows 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, 2021, and of its financial performance, 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 Matter

Key audit matters are those matter 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 matter.

S. No.	Key audit matter	How the matter was addressed in our audit
1	<p><b>Valuation and existence of investments</b></p> <p>As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss amounted to Rs. 3,460 million as at June 30, 2021, consisting of Sukuk certificates, GoP Ijara Sukuk and commercial paper, which represents a significant item of the statement of assets and liabilities of the Fund.</p> <p>The Fund's primary activity is, inter alia, to invest in short, medium and long-term Shari'ah Compliant fixed income instruments.</p> <p>Henceforth, we have identified the existence and valuation as the significant areas during our audit</p>	<p>We performed the following procedures during our audit of investments:</p> <ul style="list-style-type: none"><li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li><li>independently tested valuations to ensure that the investments are valued as per the valuation methodology disclosed in the accounting policies;</li><li>independently matched the number of sukuk certificates and commercial paper held by the Fund with the Central Deposit Company's account statement;</li></ul>

Independent Member Firm to  
Deloitte Touche Tohmatsu Limited



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Yousuf Adil  
Chartered Accountants

S. No.	Key audit matter	How the matter was addressed in our audit
	due to which we have considered this as a Key Audit Matter	<ul style="list-style-type: none"><li>independently matched government securities held by the Fund with the securities appearing in the Investors Portfolio Securities account statement;</li><li>tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities.</li></ul>

## 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.

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.

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Yousuf Adil  
Chartered Accountants

- 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 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

Place: Karachi

Date: September 20, 2021

Independent Correspondent Firm to  
Deloitte Touche Tohmatsu Limited

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

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>ASSETS</b>			
Bank balances	4	2,722,889	1,760,297
Investment	5	3,460,077	2,776,273
Markup receivable	6	40,771	53,171
Advances, deposits, prepayment and other receivables	7	16,409	7,572
<b>Total assets</b>		<b>6,240,146</b>	<b>4,597,313</b>
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	2,783	4,458
Payable to Central Depository Company of Pakistan Limited - Trustee	9	515	304
Payable to the Securities and Exchange Commission of Pakistan	10	1,341	660
Dividend payable		-	1
Payable against purchase of investments		605,180	117,690
Accrued expenses and other liabilities	11	55,211	32,000
<b>Total liabilities</b>		<b>665,030</b>	<b>155,113</b>
<b>NET ASSETS</b>		<b>5,575,116</b>	<b>4,442,200</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>5,575,116</b>	<b>4,442,200</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12	----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>54,679,036</b>	<b>43,617,191</b>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<b>101.9608</b>	<b>101.8452</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

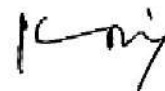
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>INCOME</b>			
Markup / Return on Investments	13	255,988	154,112
Loss on sale of investments - net		(11,150)	(4,211)
Markup on deposits with bank		220,934	255,189
Unrealised gain in fair value of investments classified as 'at fair value through profit or loss' - net	5.2	14,747	2,893
Other income		46	-
<b>Total income</b>		<b>480,565</b>	<b>407,983</b>
<b>EXPENSES</b>			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	21,292	26,218
Sindh Sales Tax on remuneration of Management Company	8.2	2,768	3,408
Allocated expenses	8.3	6,703	3,308
Marketing and selling expenses	8.4	8,125	4,565
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	5,029	2,481
Sindh Sales Tax on remuneration of the Trustee	9.2	654	323
Annual fees of Securities and Exchange Commission of Pakistan	10.1	1,341	660
Auditors' remuneration	14.	607	647
Security and transaction cost		546	36
Settlement and bank charges		613	402
Provision against Sindh Workers' Welfare Fund	11.1	8,619	7,290
Legal and professional charges		904	77
Shariah advisory fee		743	900
Fees and subscription		229	412
Printing and related costs		44	41
<b>Total operating expenses</b>		<b>58,217</b>	<b>50,768</b>
<b>Net income for the year before taxation</b>		<b>422,348</b>	<b>357,215</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>422,348</b>	<b>357,215</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		422,348	357,215
Income already paid on units redeemed		(284,031)	(151,939)
		<b>138,317</b>	<b>205,276</b>
<b>Accounting income available for distribution</b>			
Relating to capital gains		909	-
Excluding capital gains		137,408	205,276
		<b>138,317</b>	<b>205,276</b>
<b>Earnings per unit</b>	3.10		

The annexed notes 1 to 28 form an integral part of these financial statements.

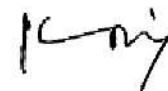
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



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

	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020 -----
Net income for the year after taxation	422,348	357,215
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>422,348</b>	<b>357,215</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

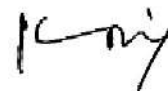
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	For year ended June 30					
	(2021)			(2020)		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)			(Rupees in '000)		
Net assets at beginning of the year	4,412,266	29,934	4,442,200	2,313,058	21,712	2,334,770
Issue of 200,940,466 units (2020: 118,632,074 units):						
- Capital value (at net asset value per unit at the beginning of the year)	20,464,822	-	20,464,822	12,008,188	-	12,008,188
- Element of income	563,310	-	563,310	828,090	-	828,090
	21,028,132	-	21,028,132	12,836,278	-	12,836,278
Redemption of 189,878,621 units (2020: 98,080,685 units):						
- Capital value (at net asset value per unit at the beginning of the year)	(19,338,226)	-	(19,338,226)	(9,927,933)	-	(9,927,933)
- Amount paid out of element of income	(308,679)	(284,031)	(592,710)	(563,658)	(151,939)	(715,597)
- Relating to 'Net income for the period after taxation'	(19,646,905)	(284,031)	(19,930,936)	(10,491,591)	(151,939)	(10,643,530)
Total comprehensive income for the year	-	422,348	422,348	-	357,215	357,215
Final distributions for the year ended June 30, 2021 (including additional units) at the rate of Rs. 11.1515 per unit (Declared on June 30, 2020)	-	-	-	(245,479)	(197,054)	(442,533)
Interim distributions for the year ended June 30, 2021 (including additional units) at the rate of Rs. 6.5076 per unit (Declared on June 25, 2021)	(250,909)	(135,719)	(386,628)	-	-	-
Net income for the year less distribution	(250,909)	286,629	35,720	(245,479)	160,161	(85,318)
<b>Net assets as at the end of the year</b>	<b>5,542,585</b>	<b>32,531</b>	<b>5,575,116</b>	<b>4,412,266</b>	<b>29,934</b>	<b>4,442,200</b>
Undistributed income brought forward						
- Realised		27,041			29,545	
- Unrealised		2,893			(7,833)	
		29,934			21,712	
Accounting income available for distribution						
- Relating to capital gains		909			-	
- Excluding capital gains		137,408			205,276	
		138,317			205,276	
Distributions during the year		(135,719)			(197,054)	
<b>Undistributed income carried forward</b>		<b>32,532</b>			<b>29,934</b>	
Undistributed income carried forward						
- Realised		17,785			27,041	
- Unrealised		14,747			2,893	
		32,532			29,934	
		(Rupees)			(Rupees)	
Net assets value per unit as at beginning of the year		101.8452			101.2221	
Net assets value per unit as at end of the year		101.9608			101.8452	

The annexed notes 1 to 28 form an integral part of these financial statements.

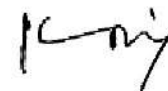
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	June 30, 2021	June 30, 2020
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	422,348	357,215
<b>Adjustments for:</b>		
Unrealised appreciation in value of investments classified as 'at fair value through profit or loss' - net	(14,747)	(2,893)
Provision against Sindh Workers' Welfare Fund	8,619	7,290
	<u>416,220</u>	<u>361,612</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	230,943	(1,563,873)
Markup receivable	12,400	(3,101)
Advances, deposits, prepayment and other receivables	(8,837)	(5,610)
	<u>234,506</u>	<u>(1,572,584)</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	(1,675)	1,555
Payable to the Trustee	211	50
Payable to the Securities and Exchange Commission of Pakistan	681	(1,274)
Dividend payable	(1)	(19,675)
Payable against purchase of investments	487,490	117,690
Accrued expenses and other liabilities	14,592	3,249
	<u>501,298</u>	<u>101,595</u>
<b>Net cash generated from/(used in) operating activities</b>	<u>1,152,024</u>	<u>(1,109,377)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units	20,777,223	12,590,799
Amount paid against redemption of units	(19,930,936)	(10,643,530)
Distributions made during the year	(135,719)	(197,054)
<b>Net cash generated from financing activities</b>	<u>710,568</u>	<u>1,750,215</u>
<b>Net increase in cash and cash equivalents during the year</b>	<u>1,862,592</u>	<u>640,838</u>
Cash and cash equivalents at the beginning of the year	1,760,297	1,119,459
<b>Cash and cash equivalents at the end of the year</b>	<u>3,622,889</u>	<u>1,760,297</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

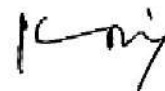
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Alhamra Islamic Income Fund (the Fund) was established under a trust deed executed between MCB Asset Management Company Limited as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investments Limited, the name of the Management Company has been changed from MCB Asset Management Company Limited to MCB-Arif Habib Savings and Investments Limited with effect from June 27, 2011. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 25, 2011 and was executed on March 7, 2011. According to the Trust Deed, the first accounting period of the Fund commenced from May 1, 2011 i.e. the date on which the trust property was first paid or transferred to the Trustee. The SECP has approved Supplemental Trust Deed, under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), vide its letter No. SCD/AMCW/MCBAHSIL/MCBIIIF/396/2017 dated January 25, 2017 to modify and restate the previous Trust Deed to effectuate renaming of the Fund to Alhamra Islamic Income Fund.
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open-end collective investment scheme categorised as a "Shariah Compliant (Islamic) 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 100 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.
- 1.4 The objective of the Fund is to seek to generate superior risk adjusted returns by investing in short, medium and long-term high quality Shariah Compliant fixed income instruments.
- 1.5 The Pakistan Credit Rating Agency Limited (PACRA) has maintained asset manager rating of AM1 dated October 06, 2020 to the Management Company and AA-(f) as stability rating dated Mar 09, 2021 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.
- 1.7 During the year, the Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Act 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Trust Act have been introduced. The Management Company after fulfilling the requirement for registration of Trust Deed under Sindh Act 2020, has submitted Collective Investment Scheme Trust Deed to Registrar acting under Sindh Act 2020 for registration.

## 2. 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.

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

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

## 2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2021

The following standards, amendments and interpretations are effective for the year ended June 30, 2021. These standards, amendments and interpretations 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:
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions	June 01, 2020
- Amendments to the conceptual framework for financial reporting, including amendments to references to the conceptual framework in IFRS	January 01, 2020
- Amendments to IFRS 3 'Business Combinations' - Definition of a business	January 01, 2020
- Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of material	January 01, 2020
- Amendments to IFRS 9 'Financial Instruments', IAS 39 'Financial Instruments: Recognition and Measurement' and IFRS 7 'Financial Instruments: Disclosures' - Interest rate benchmark reform	January 01, 2020

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:
- Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)	January 01, 2021
- Amendment to IFRS 16 'Leases' - Covid-19 related rent concessions extended beyond June 30, 2021	April 01, 2021
- Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
- Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
- IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts — cost of fulfilling a contract	January 01, 2022
- Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2023

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

	Effective from accounting period beginning on or after:
- Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of accounting policies	January 01, 2023
- Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of accounting estimates	January 01, 2023
- Amendments to 'IAS 12 Income Taxes' - deferred tax related to assets and liabilities arising from a single transaction.	January 01, 2023

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 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, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

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 financial assets (notes 3.1 and 5)
- Impairment of financial assets (note 3.1.1.3)
- Taxation (notes 3.4 and 16)
- Classification and measurement of financial liabilities note 3.1.2.1)

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 stated at fair value.

## 2.6 Functional and presentation currency

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

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all period in these financial statements.

### 3.1 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Financial assets and financial liabilities are recognised in the Fund's statement of assets and liabilities when the Fund becomes a party to the contractual provisions of the instrument.

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

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the income statement.

## 3.1.1 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

### 3.1.1.1 Classification and measurement of financial assets

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the entity's business model for managing them.

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. For purposes of subsequent measurement, financial assets are classified in following categories:

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in the income statement when the asset is derecognised, modified or impaired.

#### Financial assets at fair value through other comprehensive income (debt instruments)

For debt instruments at fair value through other comprehensive income (OCI), profit income, foreign exchange revaluation and impairment losses or reversals are recognised in the income statement and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is reclassified to the income statement.

#### Financial assets at fair value through profit or loss (debt instruments)

Debt instruments that do not meet the amortised cost criteria or the fair value through other comprehensive income criteria are classified as at fair value through profit or loss. In addition, debt instruments that meet either the amortised cost criteria or the fair value through other comprehensive income criteria may be designated as at fair value through profit or loss upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency (so called 'accounting mismatch') that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

### 3.1.1.2 Fair value measurement principles

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.

#### 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.



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

## 3.1.1.3 Impairment of financial assets

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

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.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model. 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.

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.

## 3.1.1.4 Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Fund's statement of assets and liabilities) when:

- the rights to receive cash flows from the asset have expired; or
- the Fund has transferred its rights to receive cash flows from the asset and substantially all the risks and rewards of the asset;

## 3.1.2 Financial liabilities

### 3.1.2.1 Classification and measurement of financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at fair value through profit or loss.

Financial liabilities are measured at amortised cost, unless they are required to be measured at fair value through profit or loss (such as instruments held for trading or derivatives) or the Fund has opted to measure them at fair value through profit or loss.

### 3.1.2.2 Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the income statement.

## 3.1.3 Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of assets and liabilities if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## 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.

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

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## 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 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.

## 3.5 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 the 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.

## 3.6 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.

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.

## 3.7 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.

## 3.8 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.

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

- Income / profit from investments in sukuks and government securities, certificate of musharka and commercial paper is recognised on a time proportionate basis using effective interest rate method.
- Profit on bank balances is recognised on a time proportionate basis using bank's approved rates.
- Dividend income is recognised when the right to receive the dividend is established.

### 3.9 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.

### 3.10 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.

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>4. BANK BALANCES</b>			
In savings accounts	4.1 & 4.2	<b>2,709,693</b>	1,733,081
In current accounts	4.2	<b>13,196</b>	27,216
		<b>2,722,889</b>	1,760,297

**4.1** These carry profit at the rates ranging between 5.75% to 6.75% (2020: 6.75% and 7.5%) per annum and include Rs. 1.8 million (2020: Rs. 0.052 million) maintained with MCB Islamic Bank Limited (a related party).

**4.2** These include Rs. 14.546 million (2020: Rs. 25.958 million) maintained with MCB Bank Limited, a connected person / related party.

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
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### 5. INVESTMENTS

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

Sukuk certificates - unlisted	5.1.1	<b>1,583,985</b>	1,947,756
Government securities - Government of Pakistan (GoP) Ijara sukuks	5.1.2	<b>601,558</b>	305,702
Commercial paper	5.1.3	<b>374,534</b>	522,815
Term Deposit Receipts	5.2.1	<b>900,000</b>	-
		<b>3,460,077</b>	2,776,273

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

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

### 5.1.1 Sukuk certificates - Unlisted

Certificates have a face value of Rs 100,000 each unless stated otherwise

Name of investee company	Number of certificates			As at June 30, 2021			
	As at July 1, 2020	Purchased during the year	Matured / Sold during the year	As at June 30, 2021	Carrying value	Market value	Appreciation / (diminution)
<b>Chemical</b>							
Ghani Gases Limited	1,000	-	-	1,000	38,699	39,927	1,228
							0.72
<b>Pharmaceutical</b>							
Aspin Pharma (Private) Limited	1,853	-	-	1,853	93,577	91,882	(1,695)
							1.65
<b>Power</b>							
The Hub Power Company Limited *	1,750	-	1,750	-	-	-	-
Pak Energy Sukuk *	200,000	40,000	58,900	181,100	906,618	912,744	6,126
							16.37
<b>Miscellaneous</b>							
International Brands Limited	3,450	730	-	4,180	170,090	171,116	1,026
							3.07
<b>Bank</b>							
Meezan Bank Limited (09-Jan-2020 issue)	355	100	100	355	360,007	368,316	8,309
							6.61
<b>As at June 30, 2021</b>					<b>1,568,991</b>	<b>1,583,985</b>	<b>14,994</b>
<b>As at June 30, 2020</b>					<b>1,945,565</b>	<b>1,947,756</b>	<b>2,191</b>

\* Face value of the certificate is Rs. 5,000

### 5.1.1.1 Significant terms and conditions of sukuk certificates held as at June 30, 2021 are as follows:

Particulars	Issue date	Maturity date	Offered rate	Issue rating
Ghani Gases Limited	February 2, 2017	February 2, 2023	3 months KIBOR + 1.00%	A-
Aspin Pharma (Private) Limited	November 30, 2017	November 30, 2023	3 months KIBOR + 1.50%	A
The Hub Power Company Limited	May 19, 2020	November 19, 2020	6 months KIBOR + 1.50%	AA+
Pak Energy Sukuk	May 21, 2020	May 20, 2030	6 months KIBOR - 0.10%	Unrated
International Brands Limited	November 15, 2017	November 15, 2021	12 months KIBOR + 0.50%	AA
Meezan Bank Limited	January 09, 2020	January 09, 2030	6 months KIBOR + 0.90%	AA

### 5.1.2 Government securities - Government of Pakistan (GoP) Jara sukuk

Issue Date	Current Holding as at June 30, 2021 (Units in '000)	Face Value			As at June 30, 2021			
		As at July 1, 2020	Purchased during the year	Matured / Sold during the year	As at June 30, 2021	Carrying value	Market value	Appreciation / (diminution)
June 24, 2020	425,000	305,000	920,000	800,000	425,000	427,763	427,550	(213)
May 29, 2020	110,000	-	330,000	220,000	110,000	110,715	110,693	(22)
July 28, 2020	-	-	587,500	587,500	-	-	-	-
July 29, 2020	63,000	-	1,313,500	1,250,000	63,500	63,327	63,315	(12)
								1.14
<b>As at June 30, 2021</b>					<b>601,805</b>	<b>601,558</b>	<b>(247)</b>	
<b>As at June 30, 2020</b>					<b>305,000</b>	<b>305,702</b>	<b>702</b>	

These carry profit rate of 7.38% (2020: 7.38%) per annum and will mature by July 29, 2025.

### 5.1.2.1

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

## 5.1.3 Commercial paper

Particulars	Issue rating	Profit rate	Issue date	Maturity date	Face value	Carrying value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
								----- % -----
K ELECTRIC ICP 14	A-1+	7.96%	10-Feb-21	10-Aug-21	48,000	47,587	0.85	1.38
K ELECTRIC ICP 18	A-1+	8.32%	19-Apr-21	19-Oct-21	335,000	326,947	5.86	9.45
<b>Total as at June 30, 2021</b>					<b>383,000</b>	<b>374,534</b>		
Total as at June 30, 2020					533,000	522,815		

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

### 5.2.1 Term Deposit Receipt

Particulars	Issue rating	Profit rate	Issue Date	Maturity Date	Face Value	Carrying Value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
								----- % -----
MCB Islamic Bank Limited	A1+	6.75%	31-May-21	31-Aug-21	700,000	700,000	12.56	20.23
Askari Bank Limited Islamic Banking	A1+	7.05%	14-Jun-21	14-Sep-21	200,000	200,000	3.59	5.78
<b>Total as at June 30, 2021</b>					<b>900,000</b>	<b>900,000</b>		
Total as at June 30, 2020					-	-		

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

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020 ----- (Rupees in '000) -----
<b>5.2 Net unrealised appreciation in value of investments at fair value through profit or loss</b>			
Market value as at June 30	5.1.1 & 5.1.2	2,185,543	2,253,458
Carrying value as at June 30	5.1.1 & 5.1.2	<u>(2,170,796)</u>	<u>(2,250,565)</u>
		<u>14,747</u>	<u>2,893</u>
<b>6. MARKUP RECEIVABLE</b>			
Markup receivable on:			
Deposits with banks		22,537	14,117
Sukuk Certificates		10,200	38,599
GoP Ijara Sukuks		3,375	455
Term deposit Receipt		<u>4,659</u>	<u>-</u>
		<u>40,771</u>	<u>53,171</u>
<b>7. ADVANCE, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>			
Security deposit with the Central Depository Company of Pakistan Limited		100	100
Security deposit with the National Clearing Company of Pakistan Limited		2,500	-
Prepayment		-	202
Advance tax		4,019	375
Other receivable against Collection Account		<u>9,790</u>	<u>6,895</u>
		<u>16,409</u>	<u>7,572</u>
<b>8. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration payable	8.1	1,587	1,693
Sindh sales tax payable on management remuneration	8.2	206	220
Sales load payable		325	418
Payable against Shariah advisory fee		59	75
Payable against allocated expenses	8.3	606	358
Payable against marketing and selling expenses	8.4	-	1,694
		<u>2,783</u>	<u>4,458</u>
<b>8.1</b>	As per amendment in the offering document, the Management Company with effect from August 08, 2019 charged management fee at the rate of up to 10% of the gross earnings of the scheme, calculated on a daily basis, provided that fund is subject to a minimum fee of 0.25% of the average daily net assets of the scheme.		
<b>8.2</b>	Sindh Sales Tax on management fee has been charged at 13% (2020: 13%).		
<b>8.3</b>	In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).  The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense which has also been approved by the Board of Directors of the Management Company.		
<b>8.4</b>	The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the net assets of the Fund or actual expenses whichever is lower.  SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Directors of the Asset management company (BOD) as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.  The Management Company has charged selling and marketing expenses to the Fund based on its discretion subject to not being higher than actual expense, which has also been approved by the BOD of the Management Company.		
<b>9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020 ----- (Rupees in '000) -----
Trustee remuneration payable	9.1	456	269
Sindh Sales Tax payable on trustee remuneration	9.2	<u>59</u>	<u>35</u>
		<u>515</u>	<u>304</u>

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

9.1 Trustee is entitled to a remuneration at the rate of 0.075% per annum of the net assets to be paid monthly in arrears.

9.2 Sindh Sales Tax at 13% (2020: 13%) is charged on Trustee fee.

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020 -----
<b>10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			
Annual fee payable to the SECP	10.1	<u>1,341</u>	<u>660</u>

10.1 The Fund has charged SECP Fee at the rate of 0.02% of net assets during the current period.

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020 -----
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund	11.1	24,787	16,168
Provision for Federal Excise Duty and related tax on			
- Management fee	11.2	8,639	8,639
- Sales load		3,028	3,028
Sales load payable to - MCB Bank Limited (a related party)		-	8
Auditors' remuneration		420	421
Capital gain tax payable		17,003	3,639
Printing charges payable		40	40
Others		1,294	57
		<u>55,211</u>	<u>32,000</u>

## 11.1 Provision for Sindh Workers' Welfare Fund

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 thereby 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, 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 passed 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, 2021 is Rs 24,787 million.

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

Subsequent to the year ended June 30, 2021, SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. This development was discussed at MUFAP level on August 13, 2021 and was also taken up with the SECP and all the Asset Management Companies, in consultation with SECP, reversed the cumulative provision for SWWF recognized in the financial statements of the Funds, for the period from May 21, 2015 to 12, 2021, on August 13, 2021. Furthermore, SECP through its letter dated August 30, 2021 has also given its concurrence for prospective reversal of provision of SWWF. Accordingly, going forward, no provision for SWWF would be recognized in the financial statements of the Fund. Had the provision for SWWF been reversed in the financial statements of the fund for the year ended June 30, 2021, the net asset value of the Fund as at June 30, 2021 would have been higher by Re 0.4534 (2020: Re 0.3706) per unit.



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

## 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.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2021 aggregates to Rs. 8.639 (2020: Rs. 8.639) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2021 would have been higher by Re. 0.1580 per unit (June 30, 2020: Re. 0.1980 per unit).

## 12. CONTINGENCIES & COMMITMENTS

### 12.1 Contingencies

During the financial year 2020-21, the Federal Board of Revenue (FBR) has issued an order u/s. 122 (5A) of the Income Tax Ordinance (ITO) 2001 for the tax year 2018 hereby raising a net tax demand of Rs. 41 million. The Management Company on behalf of the Fund has filed appeal before Commissioner Inland Revenue (Appeals) which is pending adjudication. The Management Company of the Fund has obtained stay order from the Sindh High Court till the next date of hearing against the tax demanded by Commissioner in its notice.

The Management Company, in consultation with its tax advisor, is confident that the decision in respect of the above matter would be in Fund's favour and accordingly no provision has been made in these financial statements with respect thereto.

### 12.2 Commitments

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

## 13. MARKUP / RETURN ON INVESTMENTS

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
Sukuk Certificates	143,501	119,303
Government Securities - Government of Pakistan (GoP) Ijara Sukuk	65,082	1,845
Musharka Certificate	-	1,530
Term Deposit Receipt	26,316	-
Commercial Paper	21,089	31,434
	<u>255,988</u>	<u>154,112</u>

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

	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>14. AUDITORS' REMUNERATION</b>		
Annual audit fee	329	329
Half yearly review fee	171	171
Income certifications	50	50
Out of pocket expenses	57	97
	<u>607</u>	<u>647</u>

## 15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2021 is 0.87% (2020: 1.53%) which includes 0.20% (2020: 0.35%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% (2020: 2.5%) prescribed under the NBFC Regulations for a collective investment scheme categorised as a Shariah Compliant income scheme.

## 16. TAXATION

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

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>17. CASH AND CASH EQUIVALENTS</b>			
Bank balances	4	2,722,889	1,760,297
Term Deposit Receipts	5.2.1	900,000	-
		<u>3,622,889</u>	<u>1,760,297</u>

## 18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

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

## 18.1 Transactions during the year with connected persons / related parties in units of the Fund:

	For the year ended June 30, 2021					For the year ended June 30, 2020				
	As at July 01, 2020	Issued for cash	Redeemed	As at June 30, 2021	Units	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020	Units
<b>Associated Companies / undertakings:</b>										
MCBFSL Trustee Alhamra Smart Portfolio	-	890,625	-	890,625		-	306	-	-	
Adamjee Life Assurance Company Limited (Tameen)	148,552	4,038,339	4,186,891	(0)		593,111	1,393,800	1,986,911	-	
Alhamra Islamic Active Allocation Fund (Plan I)	3,167,846	315,918	3,483,764	-		128,507	807,453	787,408	-	
Alhamra Islamic Active Allocation Fund (Plan II)	1,630,629	424,082	2,054,711	-		2,147,943	5,762,005	4,742,102	148,552	
Adamjee Life Assurance Company Limited-PTF	49,244	-	49,244	-		3,331,944	3,323,034	5,024,349	3,167,846	
Arif Habib Securities Limited Employees Provident Fund Trust	-	71,040	71,040	-		-	49,244	-	1,630,629	
MCB Islamic Bank Limited	-	2,201,298	2,201,298	-		-	61,382	61,382	49,244	
HYUNDAI Nishat Motor Private Limited Employees Provident Fund	-	177,940	-	177,940		-	4,502,461	4,502,461	-	
Adamjee Insurance Company Limited Window Takaful Operations	-	508,711	-	508,711		-	-	-	-	
<b>Mandate Under Discretionary Portfolio Services *</b>	<b>1,294,867</b>	<b>604,407</b>	<b>613,310</b>	<b>1,285,964</b>		<b>868,294</b>	<b>4,746,011</b>	<b>4,319,438</b>	<b>1,294,867</b>	
<b>Key management personnel *</b>	<b>51,430</b>	<b>604,407</b>	<b>613,310</b>	<b>42,527</b>		<b>47,421</b>	<b>245,433</b>	<b>241,424</b>	<b>51,430</b>	
<b>Units holders Holding 10% or more</b>	<b>-</b>	<b>48,291,505</b>	<b>32,616,019</b>	<b>15,675,486</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	
<b>Associated Companies / undertakings:</b>										
MCB-Arif Habib Savings and Investments Limited	-	306	306	-		-	32	32	-	
Adamjee Life Assurance Company Limited (MAZAAF)	593,111	1,393,800	1,986,911	-		60,036	145,000	206,026	-	
Adamjee Life Assurance Company Limited (Tameen)	128,507	807,453	787,408	148,552		13,008	85,130	83,379	15,129	
Alhamra Islamic Active Allocation Fund (Plan I)	2,147,943	5,762,005	4,742,102	3,167,846		217,419	595,561	504,000	322,630	
Alhamra Islamic Active Allocation Fund (Plan II)	3,331,944	3,323,034	5,024,349	1,630,629		337,266	344,157	528,000	166,072	
Adamjee Life Assurance Company Limited-PTF	-	49,244	-	49,244		-	5,000	-	5,015	
Arif Habib Securities Limited Employees Provident Fund Trust	-	61,382	61,382	-		-	6,700	6,938	-	
MCB Islamic Bank Limited	-	4,502,461	4,502,461	-		-	500,000	502,662	-	
<b>Mandate Under Discretionary Portfolio Services</b>	<b>868,294</b>	<b>4,746,011</b>	<b>4,319,438</b>	<b>1,294,867</b>		<b>87,891</b>	<b>487,072</b>	<b>449,916</b>	<b>131,876</b>	
<b>Key management personnel</b>	<b>47,421</b>	<b>245,433</b>	<b>241,424</b>	<b>51,430</b>		<b>4,800</b>	<b>26,513</b>	<b>26,363</b>	<b>5,238</b>	

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

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>18.2 Details of transactions with related parties / connected persons during the year</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration including indirect taxes	24,060	29,626
Allocated expenses	6,703	3,308
Shariah advisory fee	743	900
Marketing and selling expenses	8,125	4,565
<b>MCB Bank Limited - Parent of the Management Company</b>		
Markup on bank balances	1	-
Bank charges	247	137
<b>MCB Islamic Bank Limited - Subsidiary of Parent of the Management Company</b>		
Markup on bank balances	6	15,829
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes	5,029	2,804
CDC settlement charges	50	7
<b>18.3 Details of balances with related parties / connected persons as at year end</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	1,587	1,693
Sindh sales tax payable on management remuneration	206	220
Sales load payable	325	370
Sales tax on sales load	-	48
Payable against Shariah advisory fee	59	75
Payable against allocated expenses	606	358
Payable against selling & marketing	-	1,694
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balances	11,699	25,958
Sales load payable	-	8
<b>MCB Islamic Bank Limited - Subsidiary of Parent</b>		
Bank balances	1803	52
Markup receivable on bank balances	-	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	456	269
Sindh Sales Tax payable on trustee remuneration	59	35
Security deposit	100	100

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

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the 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 recognised 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 show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

	June 30, 2021					
	Carrying amount		Fair value			
Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)						
1,583,985	-	1,583,985	-	1,583,985	-	1,583,985
601,558	-	601,558	-	601,558	-	601,558
374,534	-	374,534	-	374,534	-	374,534
2,560,077	-	2,560,077	-	2,560,077	-	2,560,077

### Financial assets not measured at fair value

Bank balances	-	2,722,889	2,722,889
Term Deposit Receipts	-	900,000	900,000
Markup receivable	-	40,771	40,771
Deposit and other receivables	-	12,390	12,390
	<u>-</u>	<u>3,676,050</u>	<u>3,676,050</u>

### Financial liabilities not measured at fair value

Payable to the Management Company	-	2,577	2,577
Payable to the Trustee	-	456	456
Payable against purchase of investments	-	605,180	605,180
Accrued expenses and other liabilities	-	1,754	1,754
	<u>-</u>	<u>609,967</u>	<u>609,967</u>

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

June 30, 2020						
Carrying amount			Fair value			
Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)						
1,947,756	-	1,947,756	-	1,947,756	-	1,947,756
305,702	-	305,702	-	305,702	-	305,702
522,815	-	522,815	-	-	522,815	522,815
2,776,273	-	2,776,273	-	2,253,458	522,815	2,776,273

## Financial assets not measured at fair value

Balances with banks	-	1,760,297	1,760,297
Markup receivable	-	53,171	53,171
Deposit and other receivables	-	6,995	6,995
	<u>-</u>	<u>1,820,463</u>	<u>1,820,463</u>

## Financial liabilities not measured at fair value

Payable to the Management Company	-	4,238	4,238
Payable to the Trustee	-	269	269
Payable against Purchase of investments	-	117,690	117,690
Accrued expenses and other liabilities	-	526	526
	<u>-</u>	<u>122,723</u>	<u>122,723</u>

During the year ended June 30, 2021, 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, 2021

## 20. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the creation and protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 20.1 Market risk

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

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Profit rate risk

Profit 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 profit rates. As of June 30, 2021, the Fund is exposed to such risk on its balances held with banks, government securities, sukuk certificates and investment in musharka certificate. 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, 2021, details of Fund's profit bearing financial instruments were as follows:

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>Variable rate instruments (financial asset)</b>			
Balances with banks	4	2,709,693	1,733,081
Sukuk certificates- Unlisted	5.1.1	1,583,985	1,947,756
Government securities - Government of Pakistan (GoP) Ijara sukuks	5.1.2	601,558	305,702
		<u>4,895,236</u>	<u>3,986,539</u>
<b>Fixed rate instruments (financial assets)</b>			
Term deposit Receipt	5.2.1	900,000	-
Commercial paper	5.1.3	374,534	522,815
		<u>1,274,534</u>	<u>522,815</u>

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

As at June 30, 2021, the Fund holds KIBOR based sukuks certificates and government securities and profit based balances with banks which expose the Fund to cash flow profit 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 48.952 million (2020: Rs 39.865 million).

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

As at June 30, 2021, the Fund holds commercial papers which are fixed rate instruments, however these do not expose the Fund to fair value profit rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Market Association of Pakistan (FMAP) on June 30, 2021, the net income for the year and net assets would be lower / higher by Rs. Nil (2020: Nil).

The composition of the Fund's investments may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

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

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

Particulars	As at June 30, 2021					
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	Total
		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	5.75 to 6.75	2,709,693	-	-	13,196	2,722,889
Investments	6.63 to 14.92	-	-	2,185,543	1,274,534	3,460,077
Markup receivable		-	-	-	40,771	40,771
Deposit and other receivables		-	-	-	12,390	12,390
<b>Sub total</b>		<b>2,709,693</b>	<b>-</b>	<b>2,185,543</b>	<b>1,340,891</b>	<b>6,236,127</b>

### Financial liabilities

Payable to the Management Company		-	-	-	2,577	2,577
Payable to the Trustee		-	-	-	456	456
Payable against purchase of investments		-	-	-	605,180	605,180
Accrued expenses and other liabilities		-	-	-	1,754	1,754
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>609,967</b>	<b>609,967</b>

## On-balance sheet gap

2,709,693	-	2,185,543	730,924	5,626,160
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## Total profit rate sensitivity gap

2,709,693	-	2,185,543	730,924	5,626,160
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## Cumulative profit rate sensitivity gap

2,709,693	2,709,693	4,895,236
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Particulars	As at June 30, 2020					Total
	Effective yield / rate	Exposed to yield risk			Not exposed to yield 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	6.75 to 7.50	1,733,081	-	-	27,216	1,760,297
Investments	6.63 to 14.92	-	-	2,253,458	522,815	2,776,273
Markup receivable		-	-	-	53,171	53,171
Deposit and other receivables		-	-	-	6,995	6,995
<b>Sub total</b>		<b>1,733,081</b>	<b>-</b>	<b>2,253,458</b>	<b>610,197</b>	<b>4,596,736</b>

### Financial liabilities

Payable to the Management Company		-	-	-	4,238	4,238
Payable to the Trustee		-	-	-	269	269
Payable against purchase of investments		-	-	-	117,690	117,690
Accrued expenses and other liabilities		-	-	-	526	526
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>122,723</b>	<b>122,723</b>

## On-balance sheet gap

1,733,081	-	2,253,458	487,474	4,474,013
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## Total profit rate sensitivity gap

1,733,081	-	2,253,458	487,474	4,474,013
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## Cumulative profit rate sensitivity gap

1,733,081	1,733,081	3,986,539
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

## 20.1.3 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.

## 20.2 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 investment in sukuk certificates, commercial paper, profit receivables, other receivables and balances with banks. The credit risk for 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 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.

	2021		2020	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----			
Balances with banks	2,722,889	2,722,889	1,760,297	1,760,297
Investments	3,460,077	2,858,519	2,776,273	2,470,571
Markup receivable	40,771	37,396	53,171	52,716
Deposit and other receivables	12,390	12,390	6,995	6,995
	<u>6,236,127</u>	<u>5,631,194</u>	<u>4,596,736</u>	<u>4,290,579</u>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs. 602 million (2020: 306 million) including profit receivable on such government securities of Rs. 3.375 million (2020: 0.455 million) is not exposed to credit risk.

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

### Bank Balances by rating category

Rating	2021		2020	
	Rupees in '000	%	Rupees in '000	%
AAA	2,470,650	90.74	136,508	7.75
AA+	46	0.00	890	0.05
AA	5	0.00	1,622,680	92.18
A+	887	0.03	118	0.01
A-	7	0.00	36	0.00
A	<u>251,294</u>	<u>9.23</u>	<u>65</u>	<u>0.00</u>
	<u>2,722,889</u>	<u>100</u>	<u>1,760,297</u>	<u>100</u>

Above ratings are on the basis of available ratings assigned by PACRA and VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) as of June 30, 2021.

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

## Security deposits

Deposits are placed with 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 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 such 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.

## 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.

## 20.3 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.

	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)						
<b>2021</b>						
<b>Financial assets</b>						
Bank balances	2,722,889	-	-	-	-	2,722,889
Investments	-	1,274,534	-	904,483	1,281,060	3,460,077
Markup receivable	40,771	-	-	-	-	40,771
Deposit and other receivables	12,390	-	-	-	-	12,390
	2,776,050	1,274,534	-	904,483	1,281,060	6,236,127
<b>Financial liabilities</b>						
Payable to the Management Company	2,577	-	-	-	-	2,577
Payable to the Trustee	456	-	-	-	-	456
Payable against purchase of investments	605,180	-	-	-	-	605,180
Accrued expenses and other liabilities	1,754	-	-	-	-	1,754
	609,967	-	-	-	-	609,967
	2,166,083	1,274,534	-	904,483	1,281,060	5,626,160
<b>2020</b>						
(Rupees in "000)						
<b>Financial assets</b>						
Bank balances	1,760,297	-	-	-	-	1,760,297
Investments	-	522,815	-	894,541	1,358,917	2,776,273
Markup receivable	53,171	-	-	-	-	53,171
Deposit	6,995	-	-	-	-	6,995
	1,820,463	522,815	-	894,541	1,358,917	4,596,736
<b>Financial liabilities</b>						
Payable to the Management Company	4,238	-	-	-	-	4,238
Payable to the Trustee	269	-	-	-	-	269
Payable against purchase of investments	117,690	-	-	-	-	117,690
Accrued expenses and other liabilities	526	-	-	-	-	526
	122,723	-	-	-	-	122,723
	1,697,740	522,815	-	894,541	1,358,917	4,474,013

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

## 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	17
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	11
Mr. Saad Ahmed	Head of Fixed Income	MBA	16
Mr. Syed Muhammad Usama Iqbal	Fund Manager	B.Com & Master in Economics	17

21.1 Mr. Syed Muhammad Usama Iqbal is the fund manager who also manages Pakistan Income Fund.

## 22. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2021 (Percentage)
1 Next Capital Limited	9.44
2 Arif Habib Limited	0.51
3 Pearl Securities Limited	0.11
4 JS Global Capital Limited	0.13
5 Paramount Capital (Private) Limited	0.25
6 Continental Exchange (Private) Limited	0.41
	June 30, 2020 (Percentage)
1 Paramount Capital (Private) Limited	67.93
2 Summit Capital (Private) Limited	31.06
3 Continental Exchange (Private) Limited	1.01

## 23. PATTERN OF UNIT HOLDING

	As at June 30, 2021			
	Number of unit holders	Number of units	Investment amount	Percentage investment
			Rupees in '000	%
Individuals	2,721	25,762,524	2,626,767	47.12
Associated companies	3	1,577,276	160,820	2.88
Insurance companies	10	9,680,528	987,034	17.70
Retirement funds	43	5,745,236	585,788	10.51
Others	3,955	11,913,471	1,214,707	21.79
	<b>6,732</b>	<b>54,679,036</b>	<b>5,575,116</b>	<b>100.00</b>
	As at June 30, 2020			
	Number of unit holders	Number of units	Investment amount	Percentage investment
			Rupees in '000	%
Individuals	2,540	22,814,850	2,323,582	52.31
Associated companies	4	4,996,272	508,846	11.45
Insurance companies	9	1,748,694	178,096	4.01
Retirement funds	40	3,741,018	381,005	8.58
Others	2,398	10,316,357	1,050,671	23.65
	<b>4,991</b>	<b>43,617,191</b>	<b>4,442,200</b>	<b>100.00</b>

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

## 24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

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

Name of persons attending the meetings	Designation	Number of Meetings Held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave Granted	
Mr. Haroun Rashid	Chairman	11	11	11	-	-
Mr. Nasim Beg	Director	11	11	11	-	-
Mr. Ahmed Jahangir	Director	11	11	11	-	-
Mr. Mirza Qamar Beg	Director	11	11	11	-	-
Syed Savail Meekal Hussain ***	Director	11	11	11	-	-
Mr. Kashif A. Habib	Director	11	11	10	1	165
Ms. Mavra Adil Khan	Director	11	11	8	3	159,163 & 167
Mr. Muhammad Saqib Saleem	Chief Executive Officer	11	11	11	-	-

## 25. 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.

## 26. IMPACT OF COVID-19

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

## 27. 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.

## 28. DATE OF AUTHORISATION FOR ISSUE

These Financial Statements were authorized for issue on by the Board of Directors on August 09, 2021 and further amended on September 15, 2021 to incorporate the subsequent event as disclosed in note 11.1 to these financial statements.

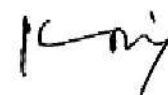
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



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

No. of Unit Holders	Unit Holdings	Total Units Held
4414	001-10,000	66,271
842	10,001 – 100,000	282,571
798	100,001 – 1,000,000	3,120,157
678	1,000,001+	51,210,036
<b>6732</b>		<b>54,679,036</b>

# PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2021

Performance Information	2021	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	5575.116	4442.2006	2334.77	1,571	1,981
Net Assets value per unit – Rupees	101.9608	101.8452	101.2221	106.0918	101.08
Closing Offer Price	103.6890	103.5715	102.9378	107.8901	102.79
Closing Repurchase Price	101.0967	100.1189	99.5064	106.0918	101.08
Highest offer price per unit	110.2535	114.9713	111.216	107.8901	108.58
Lowest offer price per unit	103.5912	102.9669	102.8702	102.6957	102.43
Highest Redemption price per unit	108.4159	113.055	109.3623	106.0918	106.77
Lowest Redemption price per unit	101.8646	101.2507	101.1556	100.9840	100.70
Distribution per unit – Rs. *	6.5076	11.1515	13.1949		6.10
<b>Average Annual Return - %</b>					
One year	6.51	11.63	8.24	4.96	6.49
Two year	9.07	9.94	6.60	5.73	5.77
Three year	8.79	8.28	6.56	5.50	6.03
Net Income for the period – Rs. in million	422.348	357.215	203.6160	137.15	51.183
Distribution made during the year – Rs. in million	419.750	348.993	296.2620	-	42.949
Accumulated Capital Growth – Rs. in million	2.5980	8.2220	(92.6460)	137.15	8.23
Weighted average Portfolio Duration (Days)	949	1314	297	361	657

**\* Date of Distribution**

2021		2020		2019	
Date	Rate	Date	Rate	Date	Rate
25-Jun-21	6.5076	30-Jun-20	11.1515	4-Jul-18	4.9622
				28-Jun-19	8.23
2018		2017			
Date	Rate	Date	Rate		
	Nil		June 19, 2017	6.1	

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



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

# ANNUAL REPORT 2021

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



# **MCB CASH MANAGEMENT OPTIMIZER**

## TABLE OF CONTENTS

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1	Fund's Information	223
2	Report of the Director of the Management Company	224
3	Report of the Fund Manager	235
4	Trustee Report to the Unit Holders	237
5	Independent Auditor's Report to the Unit Holders	238
6	Statement of Assets and Liabilities	241
7	Income Statement	242
8	Statement of Other Comprehensive Income	243
9	Statement of Movement in Unit Holder's Fund	244
10	Cash Flow Statement	245
11	Notes to and Forming Part of the Financial Statements	246
12	Pattern of Units Holding by Size	269
13	Performance Table	270



## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
<b>Board of Directors</b>	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Altaf Ahmad Faisal	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited Habib Bank Limited National Bank of Pakistan Zarai Taraqati Bank Limited Bank Al Falah Limited Meezan Bank Limited Dubai Islamic Bank Pakistan Limited Bank of Punjab Limited Faysal Bank Limited	
<b>Auditors</b>	<b>A. F. Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network) Sate Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> Adamjee House, 2nd Floor I.I. Chundrigar Road, Karachi.	
<b>Rating</b>	<b>AM1</b> Asset Manager Rating assigned by PACRA	

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

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**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present **MCB Cash Management Optimizer** accounts review for the year ended **June 30, 2021**.

## **Economy and Money Market Review**

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

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

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

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

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

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

## **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 6.98 per cent as against its benchmark return of 6.71 per cent, a difference of 0.27 per cent. WAM of the fund was 1 day at period end.

The fund was 99.4 per cent in cash as of June end. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2021 increased by 21.08 per cent to Rs. 34,030 million as compared to Rs. 28,106 million as at June 30, 2020.

The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 100.9800 as compared to opening NAV of Rs. 100.8561 per unit as at June 30, 2020 registering an increase of Rs. 0.1239 per unit.

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

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SRB through its letter dated August 12, 2021 received on August 13, 2021 by MUFAP, has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. On August 13, 2021 the management in consultation with MUFAP and after concurrence for prospective reversal of provision of SWWF from SECP, reversed the cumulative provision for SWWF recognized in the fund for the period from May 21, 2015 to August 12, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the fund. This reversal of provision has contributed towards an unusual increase in NAV of the Fund on August 13, 2021. This is one-off event and is not likely to be repeated in the future. For further details, refer note 27.3 to the financial statements.

### **Economy & Market – Future Outlook**

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

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

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

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

### **Mutual Fund Industry Review**

The Net Assets of the open end mutual fund industry increased by about 37.2 per cent to PKR 1,018 billion in this fiscal year. Money market funds and Fixed Income funds experienced an influx of investment as corporate liquidity swiftly moving towards mutual funds. Total money market funds grew by about 48 per cent during the period to PKR 467 billion. Within the money market sphere, the conventional funds dominated as they grew by about 39 per cent to PKR 285 billion. Equity and related funds surged rapidly by 33 per cent from PKR 224 billion to PKR 299 billion over the year. Most of the rise in equity and equity linked fund assets can be attributed to a positive uptick in the market that was up approx. 38 per cent YoY owing to favorable investor sentiments.

In terms of the segment share, Money Market funds were the leader with a share of around 46 per cent, followed by Equity and Equity related funds with a share of 30 per cent and Income funds having a share of 24 per cent as at the end of the fiscal year.

### **Mutual Fund Industry Outlook**

Record decline in interest rates have reinstated the confidence in risk asset classes. We expect liquidity to gear up towards equity and related funds. The sustainability of liquidity will however depend on how the economy transitions through this phase of pandemic. Our operations remained seamless and given our competitive edge due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

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

### Corporate Governance

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

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

\* HR&R stands for Human Resource and Remuneration

Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

The Board of Directors is pleased to report that:

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

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

- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2021, the Company is in compliance with the requirements of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2021:

### 1. Meeting of the Audit Committee.

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

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

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

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

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

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

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

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Asif Mehdi Rizvi	Chief Operating & Financial Officer	150,785	150,925	140
2	Mobin Ahmed Siddiqui	Chief Internal Auditor	26,557	37,642	277

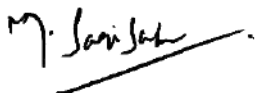
## External Auditors

The fund's external auditors, **A.F.Ferguson & Co. Chartered Accountants** have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2022. The audit committee of the Board has recommended reappointment of **A.F.Ferguson & Co. Chartered Accountants** as auditors of the fund for the year ending June 30, 2022.

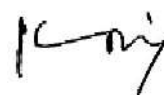
## ACKNOWLEDGMENT

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

On behalf of Directors,



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



**Kashif A. Habib**  
Director

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس نے فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر جاری رہنے کی رضامندی کا اظہار کیا ہے۔ بورڈ کی آڈٹ کمیٹی نے A.F. Ferguson & Co. چارٹرڈ اکاؤنٹنٹس کی فنڈ کے آڈیٹرز برائے سال مختتمہ 30 جون 2022ء کے طور پر دوبارہ تقرری کی سفارش پیش کی ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
15 ستمبر 2021ء



کاشف اے حبیب  
ڈائریکٹر



## ڈائریکٹرز رپورٹ

### ۱۔ آڈٹ کمیٹی کی میٹنگ

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

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

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

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

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

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

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
نوٹس کی تعداد					
۱	محمد آصف مہدی رضوی	چیف آپریٹنگ اینڈ فنانشیل آفیسر	150,785	150,925	140
۱	مبین احمد صدیقی	چیف انٹرنل آڈیٹر	26,557	37,642	277

## ڈائریکٹرز رپورٹ

\* ایچ آر اینڈ آر: ہیومن ریسورس اینڈ ریمونڈیشن

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

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

- مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمدورفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کی درست بکس آف اکاؤنٹس بنائی گئی ہیں؛
- مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں؛
- مالیاتی گوشواروں کی تیاری میں پاکستان میں حتمی الإطلاق بین الاقوامی مالیاتی رپورٹنگ کے معیارات، non بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) رولز 2003، non بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ اینٹیز ریگولیشنز 2008، متعلقہ ٹرسٹ ڈیڈز کی ضروریات اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی ہدایات کی تعمیل کی گئی ہے؛
- انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں؛
- فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شہات نہیں ہیں؛
- کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛
- واجب الاداء ٹیکس، قانونی چارہ اور ڈیویڈنڈ (محصولات اور چنگی وغیرہ) کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔
- پراویڈنٹ/گریجویٹس اور پینشن فنڈ کی سرمایہ کاریوں کی قدر کے بیان کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے؛ چنانچہ ڈائریکٹرز رپورٹ میں کوئی اظہار نہیں کیا گیا ہے۔
- 30 جون 2021ء کو کمپنی، کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر عمل پیرا ہے۔
- این بی ایف سی ریگولیشنز کے مطابق مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ منسلک ہے۔
- بورڈ آف ڈائریکٹرز مینٹنگ کی حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کر دی گئی ہیں۔ سال مختتمہ 30 جون 2021ء کے دوران ہونے والی کمیٹی مینٹنگ کی تفصیلات درج ذیل ہیں:

## ڈائریکٹرز رپورٹ

### میوچل فنڈ صنعت کا جائزہ

اپن end میوچل فنڈ صنعت کے net اثاثہ جات اس مالی سال میں تقریباً 37.2 فیصد بڑھ کر 1,018 بلین روپے ہو گئے۔ منی مارکیٹ فنڈز اور فیکسڈ انکم فنڈز میں خطیر سرمایہ کاری ہوئی کیونکہ کارپوریٹ نقدیت تیزی سے میوچل فنڈز کی جانب بڑھ رہی ہے۔ منی مارکیٹ کے مجموعی فنڈز دوران مدت تقریباً 48 فیصد بڑھ کر 467 بلین روپے ہو گئے۔ منی مارکیٹ کے دائرہ کار میں روایتی فنڈز حاوی رہے اور تقریباً 39 فیصد بڑھ کر 285 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز میں دوران سال 33 فیصد کا بھرپور اضافہ ہوا اور وہ 224 بلین روپے سے 299 بلین روپے ہو گئے۔ ایکویٹی اور متعلقہ فنڈز کے اثاثہ جات میں اضافے کا بڑا سبب سرمایہ کاروں کے مثبت جذبات کی بدولت مارکیٹ میں 38 فیصد سال در سال (YoY) ترقی کو قرار دیا جاسکتا ہے۔

شعبہ جاتی حصے کے اعتبار سے مالی سال کے اختتام پر منی مارکیٹ فنڈز تقریباً 46 فیصد حصے کے ساتھ سب سے آگے تھے، جبکہ ایکویٹی اور متعلقہ فنڈز تقریباً 30 فیصد، اور انکم فنڈز تقریباً 24 فیصد کے حامل تھے۔

### میوچل فنڈ صنعت کے مستقبل کا منظر

سود کی شرحوں میں اب تک کی سب سے زیادہ کمی کی بدولت خطرات کے حامل اثاثہ جات میں اعتماد بحال ہوا ہے۔ ہم امید کرتے ہیں کہ ایکویٹی اور متعلقہ فنڈز کے شعبے میں نقدیت کی صورتحال بہتر ہوگی۔ تاہم نقدیت کی پائیداری کا انحصار اس بات پر ہوگا کہ معیشت اس وباء کے مرحلے سے کس طرح گزرتی ہے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سہولت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکیں گے۔

### کارپوریٹ گورننس

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

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

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 6.98 فیصد تھا، جو مقررہ معیار کے منافع 6.71 فیصد کے مقابلے میں 0.27 فیصد زیادہ ہے۔ فنڈ کی بالوزن اوسط میچورٹی اختتام مدت پر 1 دن ہے۔

جون کے اختتام پر فنڈ 99.4 فیصد نقد میں تھا۔ نقد میں زیادہ شمولیت کی وجہ بینک ڈپازٹس پر منافع بخش شرحیں تھیں۔

30 جون 2021ء کو فنڈ کے net اثاثہ جات 34,030 ملین روپے تھے جو 30 جون 2020ء کی سطح 28,106 ملین روپے کے مقابلے میں 21.08 فیصد اضافہ ہے۔

30 جون 2021ء کو net اثاثہ جاتی قدر (این اے وی) فی یونٹ 100.9800 روپے تھی جو 30 جون 2020ء کو ابتدائی این اے وی 100.8561 روپے فی یونٹ کے مقابلے میں 0.1239 روپے فی یونٹ اضافہ ہے۔

ایس آر بی نے اپنے خط مؤرخہ 12 اگست 2021ء کے ذریعے، جو MUFAP کو 13 اگست 2021ء کو موصول ہوا، MUFAP کو مطلع کر دیا ہے کہ میوچل فنڈ ز مالیاتی اداروں / صنعتی اسٹیلشمنٹس کے طور پر اہل نہیں ہیں اور چنانچہ SWWF کے شراکتی حصے ان پر واجب الاداء نہیں ہیں۔ 13 اگست 2021ء کو انتظامیہ نے MUFAP سے مشورے کے بعد اور ایس ای سی پی سے SWWF کے پراویژن کی متوقع تقلیب پر اتفاق رائے کے بعد فنڈ میں 21 مئی 2015ء تا 12 اگست 2021ء کی مدت تک کے لیے کیے گئے SWWF کے مجموعی پراویژن کی تقلیب کر دی ہے۔ چنانچہ آئندہ فنڈ میں SWWF کے لیے کوئی پراویژن نہیں کیا جائے گا۔ پراویژن کی تقلیب کے باعث 13 اگست 2021ء کو فنڈ کی net اثاثہ جاتی قدر (این اے وی) میں غیر معمولی اضافہ ہوا۔ یہ واقعہ صرف ایک مرتبہ ہوا ہے اور اس کے دوبارہ ہونے کا امکان نہیں ہے۔ مزید تفصیلات کے لیے مالیاتی گوشواروں کا نوٹ 27.3 ملاحظہ فرمائیے۔

### معیشت اور بازار - مستقبل کا منظر

سہل مالیاتی پالیسیوں کے سبب آنے والے سال میں ترقی کی رفتار جاری رہنے کا امکان ہے۔ وسیع تر معیشت قبل از کووڈ سطحوں کے قریب چلتی ہوئی نظر آرہی ہے جس کی پیمائش ایل ایس ایم میں ترقی، سیمنٹ کی فروخت، گاڑیوں کی فروخت وغیرہ سے ہوتی ہے۔ ہم امید کرتے ہیں کہ جی ڈی پی میں مالی سال 2022ء میں مزید ترقی ہوگی لیکن حکومتی ہدف 4.8 فیصد سے کچھ کم رہے گی۔ اشیاء کی قیمتوں میں حالیہ اضافے نے مالیاتی اور خارجی، دونوں اکاؤنٹس کے لیے مشکلات پیدا کی ہیں۔ مالیاتی جہت میں آمدنی اور ترقیاتی اخراجات کے اہداف کا پورا ہونا بہت مشکل ہے۔

درآمدات کی رفتار میں بحالی سے کرنٹ اکاؤنٹ خسارہ جی ڈی پی کے تقریباً 2.8 فیصد پہنچ جانے کی امید ہے جس کے باعث اختتام سال تک زرمبادلہ کی شرح کمزور ہو کر تقریباً 170 ڈالر ہونے کا امکان ہے۔ اشیاء کی قیمتیں اور کمزور روپیہ بھی اوسط افراط زر کو برقرار رکھنے کا سبب بن سکتے ہیں جو تقریباً 8.5 فیصد ہو سکتی ہے۔ چنانچہ دوران سال آگے چل کر مالیاتی پالیسی میں سختی متوقع ہے اور اختتام سال تک سود کے 9 فیصد تک پہنچ جانے کا امکان ہے۔

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

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



بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی کیش مینجمنٹ آپٹیمائزر کے گوشواروں مختتمہ 30 جون 2021ء کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار کا جائزہ

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

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

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

افراط زر حکومت کی دھتھی رگ بنی رہی کیونکہ اشیائے خورد و نوش کی بڑھتی ہوئی قیمتوں کے باعث پالیسی ساز مشکلات کا شکار رہے۔ مجموعی افراط زر، جس کی ترجمانی صارفی قیمت کے انڈیکس (سی پی آئی) سے ہوتی ہے، کا اوسط سال گزشتہ سے 8.9 فیصد زیادہ تھا، جبکہ اشیائے خورد و نوش کے افراط زر کا اوسط دوران مدت 13 فیصد تھا۔ رسد کی جہت میں مسائل اور بدانتظامی کے باعث جلد خراب ہو جانے والی اشیائے خورد و نوش اور گندم کی قیمتوں میں اضافہ جاری رہا۔ اس کے باوجود بنیادی افراط زر، جس کی پیمائش اشیائے خورد و نوش اور توانائی کے علاوہ سے ہوتی ہے، قابو میں تھی اور اس کا اوسط برائے مدت 6.4 فیصد تھا۔ مانیٹری پالیسی کمیٹی (ایم پی سی) نے گزشتہ اجلاسوں میں پے در پے کٹوتیوں کے بعد صورتحال کو برقرار رکھا۔ اگرچہ حقیقی سود کی شرح منفی رہی لیکن مرکزی بینک کو وڈ کے باعث طلب کی جہت پر پڑنے والے دباؤ اور بہتر خارجی صورتحال کی بدولت پیدا ہونے والی سہولت کے حوالے سے محتاط تھا۔

معیشت کے مستحکم ہونے کے آغاز کے ساتھ ٹیکس وصولی بھی بہتر ہوئی اور اس میں دوران مالی سال 18 فیصد اضافہ ہوا جو نظر ثانی شدہ ہدف سے 30 بلین روپے زیادہ تھا۔ ابتدائی نو ماہ کا مالیاتی خسارہ جی ڈی پی کا 3.6 فیصد تھا جبکہ سال گزشتہ جی ڈی پی کا 3.8 فیصد تھا۔ بنیادی توازن جی ڈی پی کے 1.0 فیصد زائد کے ساتھ مزید بہتر رہا جبکہ سال گزشتہ جی ڈی پی کا 0.4 فیصد تھا۔

افراط زر میں اضافے کے رجحان کے سبب پیداواری خم بلندی کی طرف جانا شروع ہو گیا۔ دوران مدت تین، پانچ اور دس سالہ بانڈز میں بالترتیب 146،

138 اور 125 بیسیس پوائنٹس (بی پی ایس) کا اضافہ ہوا۔

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

### Fund Type and Category

MCB Cash Management Optimizer (CMOP) is an open end fund money market fund, and has the leverage to invest in short term government securities, repurchase agreements, term deposit and money market placements with scheduled banks with a maximum maturity of 180 days and weighted average maturity up to 90 days.

### Fund Benchmark

70% three (3) months PKRV rates plus 30% three (3) months average deposit rates of three (3) AA rate d scheduled Banks as selected by MUFAP.

### Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

### Investment Strategy

The Fund through active management will aim to provide optimum returns for its Unit Holders by investing in highly liquid debt securities issued by the Government of Pakistan as well as TDR to AA or above rated banks.

### Manager's Review

During the period under review, the fund generated an annualized return of 6.98% as against its benchmark return of 6.71%, an outperformance of 0.27%. WAM of the fund was 1 day at June end. The fund was 99.4% invested in cash as of June end. High cash exposure was due to the fact that banks were offering lucrative rates on bank deposits.

The Net Assets of the Fund as at June 30, 2021 increased by 21.1% to Rs. 34,030 million as compared to Rs. 28,106 million as at June 30, 2020. The Net Asset Value (NAV) per unit as at June 30, 2021 was Rs. 100.9800 as compared to opening NAV of Rs. 100.8561 per unit as at June 30, 2020 registering an increase of Rs. 0.1239 per unit.

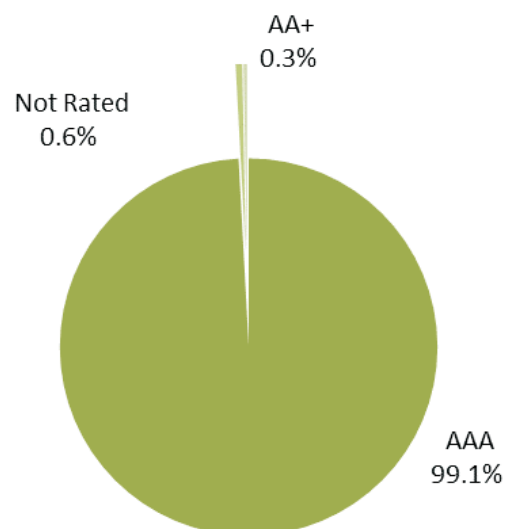
### Asset Allocation as on June 30, 2021 (% of total assets)

Asset Allocation (%age of Total Assets)	Jun-21
Cash	99.4%
T-Bills	0.0%
Others including receivables	0.6%

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

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Asset Quality as of June 30, 2021 (% of total assets)



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Mr. Saad Ahmed  
Fund Manager



## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel : (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB CASH MANAGEMENT OPTIMIZER

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

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

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

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

Karachi: September 09, 2021



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

## INDEPENDENT AUDITOR'S REPORT

To the Unit holders of MCB Cash Management Optimizer

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of MCB Cash Management Optimizer (the Fund), which comprise the statement of assets and liabilities as at June 30, 2021, 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, 2021, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

Following is the key audit matter:

S. No.	Key Audit Matter	How the matter was addressed in our audit
1	<b>Net Asset Value (NAV)</b> (Refer note 4 to the annexed financial statements)  Balances with banks constitute the most significant component of the NAV. Balances with banks of the Fund as at June 30, 2021 aggregated to Rs 34,046.358 million.  The existence of balances with banks for the determination of NAV of the Fund as at June 30, 2021 was considered a high risk area and therefore we considered this as a key audit matter.	Our audit procedures amongst others included the following: <ul style="list-style-type: none"><li>obtained independent confirmations for verifying the existence of the balances with banks as at June 30, 2021 and traced them to the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; and</li><li>obtained bank reconciliation statements and tested reconciling items on a sample basis.</li></ul>

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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2



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## Other Information

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

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

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

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

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

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

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

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

3



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

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

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

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

## Report on Other Legal and Regulatory Requirements

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

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

*A.F. Ferguson & Co.*  
Chartered Accountants  
Karachi

Date: September 23, 2021

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

	Note	June 30, 2021 ----- (Rupees in '000) -----	June 30, 2020
<b>ASSETS</b>			
Balances with banks	4	34,046,358	28,023,622
Investments	5	-	33,582
Advances, deposits, prepayments and other receivable	6	193,427	210,500
Receivable against sale of investments		-	3,360,717
<b>Total assets</b>		<b>34,239,785</b>	<b>31,628,421</b>
<b>LIABILITIES</b>			
Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company	7	10,199	17,305
Payable to Central Depository Company of Pakistan Limited - Trustee	8	2,015	1,607
Payable to the Securities and Exchange Commission of Pakistan	9	6,427	3,874
Payable against purchase of investments		-	3,352,541
Accrued and other liabilities	10	191,481	147,308
<b>Total liabilities</b>		<b>210,122</b>	<b>3,522,635</b>
<b>NET ASSETS</b>		<b>34,029,663</b>	<b>28,105,786</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>34,029,663</b>	<b>28,105,786</b>
<b>Contingencies and Commitments</b>	11		
<b>(Number of units)</b>			
<b>NUMBER OF UNITS IN ISSUE</b>		<b>336,994,243</b>	<b>278,672,060</b>
<b>(Rupees)</b>			
<b>NET ASSET VALUE PER UNIT</b>	3.7	<b>100.9800</b>	<b>100.8561</b>

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

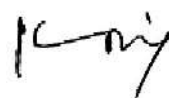
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2021

		For the year ended	
	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
<b>INCOME</b>			
Capital gain on sale of investments - net		14,641	189,293
Profit on term deposits receipts		625	110,075
Profit on bank deposits		1,232,126	1,370,094
Income from government securities		1,139,752	816,683
Income from commercial paper		-	19,141
Income from letter of placement		1,985	22,761
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net	5.1.2	-	82
<b>Total income</b>		<b>2,389,129</b>	<b>2,528,129</b>
<b>EXPENSES</b>			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	7.1	100,808	95,323
Sindh Sales tax on remuneration of Management Company	7.2	13,104	12,391
Allocated expenses	7.3	23,728	19,379
Selling and marketing expenses	7.4	-	34,992
Remuneration of Central Depository Company of Pakistan Limited - Trustee	8.1	20,892	12,595
Sindh Sales tax on remuneration of Trustee	8.2	2,716	1,638
Annual fee to Securities and Exchange Commission of Pakistan	9.1	6,427	3,874
Legal and professional		136	78
Brokerage, settlement and bank charges		1,227	1,673
Auditors' remuneration	12	1,098	1,165
Fees and subscription		415	375
Printing and related costs		42	42
<b>Total operating expenses</b>		<b>170,593</b>	<b>183,525</b>
<b>Net income from operating activities</b>		<b>2,218,536</b>	<b>2,344,604</b>
Provision for Sindh Workers Welfare Fund (SWWF)	10.1	(44,371)	(46,892)
<b>Net income before taxation</b>		<b>2,174,165</b>	<b>2,297,712</b>
Taxation	13	-	-
<b>Net income after taxation</b>		<b>2,174,165</b>	<b>2,297,712</b>
<b>Allocation of net income:</b>			
Net income		2,174,165	2,297,712
Income already paid on units redeemed		(116,025)	(140,348)
		<b>2,058,140</b>	<b>2,157,364</b>
<b>Accounting income available for distribution</b>			
- Relating to capital gains		14,641	177,909
- Excluding capital gains		2,043,499	1,979,455
		<b>2,058,140</b>	<b>2,157,364</b>
<b>Earnings per unit</b>	3.14	-	-

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

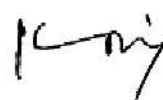
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended	
	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Net income for the year after taxation	2,174,165	2,297,712
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u><u>2,174,165</u></u>	<u><u>2,297,712</u></u>

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

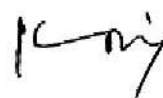
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director



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

Note	Year ended June 30, 2021			Year ended June 30, 2020		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
(Rupees in '000)						
<b>Net assets at beginning of the year</b>	27,987,813	117,973	28,105,786	13,846,005	56,611	13,902,616
Issuance of 913,524,789 units (2020: 740,890,192 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	92,134,547	-	92,134,547	74,564,893	-	74,564,893
- Element of income	112,895	-	112,895	125,410	-	125,410
	92,247,442	-	92,247,442	74,690,303	-	74,690,303
Redemption of 855,202,606 units (2020: 600,356,965 units)						
- Capital value (at ex-net asset value per unit at the beginning of the year)	86,252,400	-	86,252,400	60,421,305	-	60,421,305
- Element of loss - net	17,469	116,025	133,494	13,499	140,348	153,847
	86,269,869	116,025	86,385,894	60,434,804	140,348	60,575,152
<b>Total comprehensive income for the year</b>	-	2,174,165	2,174,165	-	2,297,712	2,297,712
Distributions for the year ended June 30, 2021	25 -	(2,016,968)	(2,016,968)	-	-	-
Refund of capital for the year ended June 30, 2021	25 (94,868)	-	(94,868)	-	-	-
Distributions for the year ended June 30, 2020	-	-	-	-	(2,096,002)	(2,096,002)
Refund of capital for the year ended June 30, 2020	-	-	-	(113,691)	-	(113,691)
<b>Total distributions during the year</b>	(94,868)	(2,016,968)	(2,111,836)	(113,691)	(2,096,002)	(2,209,693)
<b>Net assets at end of the year</b>	<u>33,870,518</u>	<u>159,145</u>	<u>34,029,663</u>	<u>27,987,813</u>	<u>117,973</u>	<u>28,105,786</u>
<b>Undistributed income brought forward comprising of:</b>						
- Realised		117,891			56,611	
- Unrealised		82			-	
		<u>117,973</u>			<u>56,611</u>	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		14,641			177,909	
- Excluding capital gains		2,043,499			1,979,455	
		<u>2,058,140</u>			<u>2,157,364</u>	
Distributions during the year		(2,016,968)			(2,096,002)	
Undistributed income carried forward		<u>159,145</u>			<u>117,973</u>	
<b>Undistributed income carried forward comprising of:</b>						
- Realised		159,145			117,891	
- Unrealised		-			82	
		<u>159,145</u>			<u>117,973</u>	
		<b>(Rupees)</b>			<b>(Rupees)</b>	
<b>Net asset value per unit at beginning of the year</b>		<u>100.8561</u>			<u>100.6423</u>	
<b>Net asset value per unit at end of the year</b>		<u>100.9800</u>			<u>100.8561</u>	

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

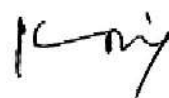
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

Note	For the year ended	
	June 30, 2021	June 30, 2020
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	2,174,165	2,297,712
<b>Adjustments for non cash and other items:</b>		
Provision for Sindh Worker's Welfare Fund (SWWF)	44,371	46,892
Unrealised appreciation on remeasurement of investments classified as financial assets at fair value through profit or loss - net	-	(82)
<b>Decrease / (increase) in assets</b>		
Investments	33,582	947,360
Advances, deposits, prepayments and other receivable	17,073	(75,854)
Receivable against sale of investments	3,360,717	(3,360,717)
	3,411,372	(2,489,211)
<b>Increase / (decrease) in liabilities</b>		
Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company	(7,106)	3,633
Payable to Central Depository Company of Pakistan Limited - Trustee	408	589
Payable to the Securities and Exchange Commission of Pakistan	2,553	(6,615)
Payable against purchase of investments	(3,352,541)	3,352,541
Accrued and other liabilities	(198)	91
	(3,356,884)	3,350,239
<b>Net cash flow generated from operating activities</b>	2,273,024	3,205,550
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipt from issuance of units - net of refund of capital	92,152,574	74,576,612
Payment against redemption of units	(86,385,894)	(60,575,152)
Distributions during the year	(2,016,968)	(2,096,002)
<b>Net cash generated from financing activities</b>	3,749,712	11,905,458
<b>Net increase in cash and cash equivalents</b>	6,022,736	15,111,008
Cash and cash equivalents at beginning of the year	28,023,622	12,912,614
<b>Cash and cash equivalents at end of the year</b>	34,046,358	28,023,622

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

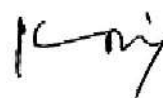
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Cash Management Optimizer (the Fund) was established through a Trust Deed executed between Arif Habib Investments Limited (now MCB-Arif Habib Savings and Investments Limited), as the Management Company and Central Depository Company of Pakistan Limited (CDC) as the Trustee. The draft Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter dated July 09, 2009 consequent to which the trust deed was executed on July 10, 2009, in accordance with the Asset Management Companies Rules, 1995 (AMC Rules) repealed by Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).
- 1.2 The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulations) Rules 2003 through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 2nd Floor, Adamjee House, I.I Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund is an open-end mutual fund and has been categorised as 'Money Market Scheme' by the Board of Directors of the Management Company in accordance with the requirements of Circular 7 of 2009 dated March 6, 2009 issued by the SECP, and offers units for public subscription on a continuous basis. The units are transferable and can also be redeemed by surrendering to the Fund. Unitholders are divided into plan 'A' and plan 'B'. The unit holders under plan "A" are entitled for bonus units as well as cash dividend, whereas unit holders under plan "B" are entitled for cash dividend only. The units are listed on the Pakistan Stock Exchange Limited (PSX).
- 1.4 The Fund primarily invests in a mix of short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks.
- 1.5 Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM1' dated October 06, 2020 to the Management Company and a stability rating of 'AA+(f)' dated March 09, 2021 to the Fund.
- 1.6 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.
- 1.7 The Trust Act, 1882 has been repealed due to promulgation of Provincial Trust Act "Sindh Act 2020" as empowered under the Eighteenth Amendment to the Constitution of Pakistan. Various new requirements including registration under the Trust Act have been introduced. The Management Company to fulfil the requirement for registration of Trust Deed under Sindh Trusts Act 2020, has submitted the Collective Investment Scheme Trust Deed to the Registrar (acting under Sindh Trusts Act 2020).

## 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. Such standards comprise of:

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

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed differ from the IFRSs, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulation 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, 2021

## 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value.

## 2.3 Standards, interpretations and amendments to published accounting and reporting standards that are effective in the current year

There are certain amendments to the published accounting and reporting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2020. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in these financial statements.

## 2.4 Standards, interpretations and amendments to published accounting and reporting standards that are not yet effective

The following amendments would be effective from the dates mentioned below against the respective amendment:

Amendments	Effective date (accounting periods beginning on or after)
- IAS 1 - 'Presentation of financial statements' (amendment)	January 1, 2023
- IAS 8 - 'Accounting policies, change in accounting estimates and errors' (amendment)	January 1, 2023

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

There are certain other standards, interpretations and amendments that are mandatory for the Fund's accounting period beginning on or after July 1, 2021 but are considered not to be relevant or will not have any significant effect on the Fund's operations and are therefore not disclosed in these financial statements.

## 2.5 Critical accounting estimates and judgements

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires the management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements and associated assumptions are based on historical experience and various other factors including expectations of future events that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets (notes 3.3 and 5), provision for SWWF (note 10.1), provision for Federal Excise Duty (note 10.2) and provision for taxation (notes 3.13 and 13).

## 2.6 Functional and presentation currency

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

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 3.1 The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented.

### 3.2 Cash and cash equivalents

These comprise balances with banks and other short-term highly liquid investments with original maturities of three months or less.

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

## 3.3 Financial assets

### 3.3.1 Classification and subsequent measurement

#### 3.3.1.1 Debt instruments

IFRS 9 has provided a criteria for debt securities whereby these debt securities are either classified as:

- amortised cost
- at fair value through other comprehensive income "(FVOCI)"
- at fair value through profit or loss (FVTPL) based on the business model of the entity.

However, IFRS 9 also provides an option whereby securities managed as a portfolio or group of assets and whose performance is measured on a fair value basis, to be recognized at FVPL. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Therefore the management considers its investment in debt securities as being managed as a group of assets and hence has classified them as FVPL.

#### 3.3.2 Impairment

The Fund assesses on a forward-looking basis the expected credit losses (ECL) associated with its financial assets (other than debt instruments as per Circular 33 of 2012) carried at amortised cost and FVOCI. The Fund recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- an unbiased and probability-weighted around that is determined by evaluating a range of possible out comes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

The 12 months ECL is recorded for all financial assets in which there is no significant increase in credit risk from the date of initial recognition, whereas a lifetime ECL is recorded for all remaining financial assets.

#### 3.3.3 Impairment loss on debt securities

Provision for non-performing debt securities is made on the basis of time-based criteria as prescribed by the SECP and based on the management's assessment made in line with its provisioning policy approved by the Board of Directors of the Management Company in accordance with the guidelines issued by the SECP. Impairment losses recognised on debt securities can be reversed through the Income Statement.

As allowed by the SECP, the Management Company may make provision against debt securities over and above the minimum provision requirement prescribed by the SECP in accordance with the provisioning policy duly approved by the Board of Directors of the Management Company.

#### 3.3.4 Regular way contracts

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

#### 3.3.5 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried 'at fair value through profit or loss'. Financial assets carried 'at fair value through profit or loss' are initially recognised at fair value and transaction costs are recognised in the Income Statement.

#### 3.3.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership. Any gain or loss on derecognition of financial assets is taken to the Income Statement.

#### 3.3.7 Derivatives

Derivate instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured at fair value and the resultant gain or loss is recognised in the Income Statement.

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

## 3.4 Financial liabilities

All financial liabilities are recognized at the time when the Fund becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost using effective interest method. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Any gain or loss on derecognition of financial liabilities is taken to the Income Statement. Financial liabilities include payable to the Management Company and other liabilities.

## 3.5 Offsetting of financial assets and financial 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 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 obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

## 3.7 Net asset value per unit

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

## 3.8 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the Management Company / distributors during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties, charges and transaction costs, if applicable. The sales load is payable to the Management Company / distributors.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company / distributors receive redemption applications during business hours of that day. The redemption price is equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties, charges and transaction costs, if applicable.

## 3.9 Distribution to unit holders fund

Distributions to the unit holders are recognised upon declaration and approval by the Board of Directors of the Management Company. Based on the 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.

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

## 3.10 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units

Element of income represents the difference between net asset 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 Revenue recognition

- Gains / (losses) arising on sale of investments are recorded at the date at which the transaction takes place.
- Profit on bank deposits and term deposit receipts is recognised on an accrual basis using effective interest rate method.

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

- Interest income on government securities is recognised on an accrual basis using effective interest rate method.
- Income on debt securities (including commercial papers, letter of placements and term deposit receipts) is recognised on an accrual basis using effective interest rate method.
- Unrealised gains / (losses) arising on revaluation of securities classified as financial assets 'at fair value through profit or loss' are included in the Income Statement in which they arise.

### 3.12 Expenses

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

### 3.13 Taxation

#### Current

Provision for current taxation is based on taxable income at the current rates of taxes after taking into account tax credits and rebates, if any. The charge for current tax is calculated using the prevailing tax rates.

#### Deferred

Deferred tax is accounted for using the balance sheet liability method in respect of all temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of the taxable profit.

The deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and tax credits can be utilized. Deferred tax is calculated at the rates that are expected to apply to the period when the differences reverse based on enacted tax rates.

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 90% of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders in cash. Provided that, for the purpose of determining distribution of at least 90% of the accounting income, the income distributed through bonus units shall not be taken into account.

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. Moreover, super tax introduced in the Finance Act, 2015 is also not applicable on Funds (Section 4B of the Income Tax Ordinance, 2001).

### 3.14 Earnings per unit

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

### 3.15 Foreign currency translation

Transactions denominated in foreign currencies are accounted for in Pakistani Rupees at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates for monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement.

	Note	June 30, 2021	June 30, 2020
<b>4. BALANCES WITH BANKS</b>		<b>(Rupees in '000)</b>	
In current accounts		4,223,994	519,995
In deposit accounts	4.1	29,822,364	27,503,627
	4.2	<u>34,046,358</u>	<u>28,023,622</u>

- 4.1 These carry mark-up at rates ranging between 5.5% to 7.85% per annum (2020: 5.5% to 14.45% per annum).



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

4.2 These include balances of Rs 30.109 million (2020: Rs. 43.089 million) maintained with MCB Bank Limited (a related party).

## 5. INVESTMENTS

### 5.1 Investments at fair value through profit or loss

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
Term deposit receipt	5.1.1	-	-
Market Treasury Bills	5.1.2	-	33,582
Pakistan Investment Bonds	5.1.3	-	-
Letter of placements	5.1.4	-	-
		<u>-</u>	<u>33,582</u>

#### 5.1.1 Term Deposit Receipts

Name of Investee Company	Issue Date	Face value				At June 30, 2021		Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2020	Purchases during the year	Matured during the year	At June 30, 2021	Carrying value	Market value		
----- (Rupees in '000) ----- % -----									
Allied Bank Limited	May 31, 2021	-	3,000,000	3,000,000	-	-	-	-	-
As at June 30, 2021						-	-		
As at June 30, 2020						-	-		

#### 5.1.2 Market Treasury Bills

Tenure	Issue Date	Face value				At June 30, 2021			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2020	Purchases during the year	Sold / matured during the year	At June 30, 2021	Carrying value	Market value	Appreciation		
----- (Rupees in '000) ----- % -----										
Treasury bills - 3 months										
- 3 months	November 19, 2020	-	9,950,000	9,950,000	-	-	-	-	-	-
- 3 months	November 5, 2020	-	4,250,000	4,250,000	-	-	-	-	-	-
- 3 months	March 25, 2021	-	11,000,000	11,000,000	-	-	-	-	-	-
- 3 months	September 24, 2020	-	10,525,000	10,525,000	-	-	-	-	-	-
- 3 months	October 8, 2020	-	16,550,000	16,550,000	-	-	-	-	-	-
- 3 months	December 17, 2020	-	3,500,000	3,500,000	-	-	-	-	-	-
- 3 months	August 27, 2020	-	9,000,000	9,000,000	-	-	-	-	-	-
- 3 months	January 14, 2021	-	28,700,000	28,700,000	-	-	-	-	-	-
- 3 months	December 3, 2020	-	7,475,000	7,475,000	-	-	-	-	-	-
- 3 months	April 8, 2021	-	4,725,000	4,725,000	-	-	-	-	-	-
- 3 months	July 2, 2020	-	375,000	375,000	-	-	-	-	-	-
- 3 months	April 22, 2021	-	3,975,000	3,975,000	-	-	-	-	-	-
- 3 months	May 20, 2021	-	4,500,000	4,500,000	-	-	-	-	-	-
- 3 months	October 22, 2020	-	4,500,000	4,500,000	-	-	-	-	-	-
- 3 months	December 31, 2020	-	5,550,000	5,550,000	-	-	-	-	-	-
- 3 months	June 3, 2021	-	500,000	500,000	-	-	-	-	-	-
- 3 months	May 21, 2020	-	1,600,000	1,600,000	-	-	-	-	-	-
- 3 months	May 7, 2020	-	3,000,000	3,000,000	-	-	-	-	-	-
- 3 months	May 6, 2021	-	4,000,000	4,000,000	-	-	-	-	-	-
- 3 months	January 28, 2021	-	4,408,315	4,408,315	-	-	-	-	-	-
- 3 months	February 25, 2021	-	5,925,000	5,925,000	-	-	-	-	-	-
- 3 months	June 17, 2021	-	5,500,000	5,500,000	-	-	-	-	-	-
- 3 months	July 16, 2020	-	18,025,000	18,025,000	-	-	-	-	-	-

Balance carried forward

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

Tenure	Issue Date	Face value				At June 30, 2021			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2020	Purchases during the year	Sold / matured during the year	At June 30, 2021	Carrying value	Market value	Appreciation		
----- (Rupees in '000) ----- % -----										

Balance brought forward

- - -

## Treasury bills

- 6 months	July 16, 2020	-	13,150,000	13,150,000	-	-	-	-	-	-
- 6 months	May 20, 2021	-	4,500,000	4,500,000	-	-	-	-	-	-
- 6 months	July 2, 2020	-	450,000	450,000	-	-	-	-	-	-
- 6 months	April 23, 2020	-	5,145,000	5,145,000	-	-	-	-	-	-
- 6 months	April 8, 2021	-	6,275,000	6,275,000	-	-	-	-	-	-
- 6 months	May 6, 2021	-	2,000,000	2,000,000	-	-	-	-	-	-
- 6 months	June 17, 2021	-	2,000,000	2,000,000	-	-	-	-	-	-
- 6 months	September 24, 2020	-	1,000,000	1,000,000	-	-	-	-	-	-
- 6 months	April 9, 2020	-	1,375,000	1,375,000	-	-	-	-	-	-
- 6 months	June 18, 2020	-	4,400,000	4,400,000	-	-	-	-	-	-
- 6 months	May 7, 2020	15,000	3,000,000	3,015,000	-	-	-	-	-	-
- 6 months	March 26, 2020	-	7,345,000	7,345,000	-	-	-	-	-	-

## Treasury bills

- 12 months	November 7, 2019	10,335	-	10,335	-	-	-	-	-	-
- 12 months	May 21, 2020	-	1,700,000	1,700,000	-	-	-	-	-	-
- 12 months	September 26, 2019	9,000	5,254,745	5,263,745	-	-	-	-	-	-
- 12 months	February 27, 2020	-	2,750,000	2,750,000	-	-	-	-	-	-
- 12 months	October 24, 2019	-	625,000	625,000	-	-	-	-	-	-
- 12 months	January 30, 2020	-	202,270	202,270	-	-	-	-	-	-
- 12 months	August 16, 2019	-	900,000	900,000	-	-	-	-	-	-
- 12 months	September 12, 2019	-	3,800,000	3,800,000	-	-	-	-	-	-
- 12 months	October 10, 2019	-	13,100,000	13,100,000	-	-	-	-	-	-
- 12 months	January 2, 2020	-	700,000	700,000	-	-	-	-	-	-
- 12 months	August 29, 2019	-	1,450,000	1,450,000	-	-	-	-	-	-
- 12 months	December 5, 2019	-	6,850,000	6,850,000	-	-	-	-	-	-
- 12 months	December 19, 2019	-	13,825,000	13,825,000	-	-	-	-	-	-

As at June 30, 2021

- - -

As at June 30, 2020

33,500 33,582 82

## 5.1.3 Pakistan Investment Bonds

Name of security	Date of issue	Face Value				As at June 30, 2021			Market value as a percentage of	
		As at July 01, 2020	Purchased during the year	Sold during the year	As at June 30, 2021	Carrying Value	Market value	Unrealised gain / (loss)	Net assets	Total investments
----- (Rupees in '000) ----- % -----										

## Pakistan Investment Bonds

- 03 years	July 12, 2018	-	4,250,000	4,250,000	-	-	-	-	-	-
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Total as at June 30, 2021

- - -

Total as at June 30, 2020

- - -

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

## 5.1.4 Letter of Placements

Name of Investee Company		Face value				At June 30, 2021			Market value as a percentage of net assets	Market value as a percentage of total investments
		At July 01, 2020	Purchases during the year	Matured during the year	At June 30, 2021	Face Value	Carrying Value	Appreciation		
----- (Rupees in '000) ----- % -----										
Pak Kuwait Investment Company (Pvt.) Limited	July 17, 2020	-	1,500,000	1,500,000	-	-	-	-	-	-
As at June 30, 2021						-	-	-		
As at June 30, 2020						-	-	-		

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
<b>6. ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLE</b>			
Advance tax	6.1	1,411	1,411
Prepayments and security deposits		306	285
Profit receivable on savings accounts		189,691	194,464
Other receivable		2,019	14,340
		<u>193,427</u>	<u>210,500</u>

- 6.1** As per clause 47(B) of part IV of the Second Schedule to the Income Tax Ordinance, 2001, payments made to collective investment schemes (CISs) are exempt from withholding tax under section 151 and 150. However, withholding tax on profit on bank deposits to the Fund has been deducted by various withholding agents based on the interpretation issued by FBR vide letter C. no. 1(43) DG (WHT)/2008-VOL.II-66417-R dated 12 May 2015 which requires every withholding agent to withhold income tax at applicable rates in case a valid exemption certificate under section 159(1) issued by the concerned Commissioner of Inland Revenue (CIR) is not produced before him by the withholder. The tax withheld on profit on bank deposits was amounted to Rs 1.411 million (2020: Rs 1.411 million).

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On January 28, 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received by the Fund on bank deposits has been shown as advance tax under 'Advances, deposits, prepayments and other receivable' as at June 30, 2021 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
<b>7 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>			
Management fee payable	7.1	8,147	9,263
Sindh Sales Tax payable on remuneration of the Management Company	7.2	1,057	1,203
Allocated expenses payable	7.3	995	2,185
Selling and marketing expenses payable	7.4	-	4,654
		<u>10,199</u>	<u>17,305</u>

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

7.1 The management company has charged management fee at the rate upto, 7.5% of the gross earnings of scheme, calculated on daily basis subject to minimum fee of 0.25% of the average daily net assets of the Fund. The aforementioned limit was revised in the prior period and is effective since August 8, 2019. Previously, the management fee was charged at the rate of 7.5% of the gross earnings of scheme, calculated on daily basis subject to minimum fee of 0.25% of the average daily net assets of the Fund and maximum fee of 1% of the average daily net assets of the Fund.

7.2 During the year, an amount of Rs 13.104 million (2020: Rs 12.391 million) was charged on account of sales tax on management fee levied through the Sindh Sales Tax on Services Act, 2011, and an amount of Rs 13.250 million (2020: Rs 12.674 million) has been paid on account of sales tax on management fee to the Management Company which acts as a collecting agent.

7.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense which has also been approved by the Board of Directors of the Management Company .

7.4 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the average daily net assets of the Fund or actual expenses whichever is lower.

During the year ended June 30, 2020, SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company is required to set a maximum limit for charging of such expense to the Fund and the same should be approved by the Board of Directors of the Management Company as part of annual plan. Furthermore, the time limit of three years has also been removed in the revised conditions.

During the year, the Management Company has not charged selling and marketing expenses to the Fund based on its discretion.

	Note	June 30, 2021	June 30, 2020
<b>8 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>		<b>(Rupees in '000)</b>	
Trustee remuneration payable	8.1	1,783	1,422
Sindh Sales Tax payable on trustee remuneration	8.2	232	185
		<u>2,015</u>	<u>1,607</u>

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed. The Fund has charged Trustee Fee at the rate of 0.065% (2020: 0.065%) of the average daily net assets of the Fund during the year.

Remuneration is paid to the trustee on monthly basis in arrears.

8.2 During the year, an amount of Rs 2.716 million (2020: Rs 1.638 million) was charged on account of sales tax on remuneration of the Trustee levied through the Sindh Sales Tax on Services Act, 2011 and an amount of Rs 2.669 million (2020: Rs 1.570 million) was paid on account of sales tax on remuneration of trustee was paid to the Trustee which acts as a collecting agent.

	Note	June 30, 2021	June 30, 2020
<b>9. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>		<b>(Rupees in '000)</b>	
Annual fee	9.1	<u>6,427</u>	<u>3,874</u>

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

- 9.1** In accordance with the NBFC Regulations, a Collective Investment Scheme (CIS) is required to pay annual fee to the Securities and Exchange Commission of Pakistan (SECP).

In accordance with SRO No. 685 (I) / 2019 dated June 28, 2019 issued by SECP, the Fund has charged SECP fee at the rate of 0.02% (2020: 0.02%) of average daily net assets of the Fund during the year.

	Note	June 30, 2021	June 30, 2020
<b>10. ACCRUED AND OTHER LIABILITIES</b>		<b>(Rupees in '000)</b>	
Provision for Sindh Workers' Welfare Fund	10.1	134,276	89,905
Provision for federal excise duty on:			
- Remuneration of the Management Company	10.2	54,267	54,267
- Sales load	10.2	19	19
Brokerage payable		13	101
Capital gain tax payable		1,689	1,807
Auditors' remuneration payable		651	653
Printing expense payable		40	40
Other payable		526	516
		<u>191,481</u>	<u>147,308</u>

### **10.1 Provision for Sindh Workers' Welfare Fund**

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under SWWF Act. Thereafter, MUFAP had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs / mutual funds, MUFAP recommended that, as a matter of abundant caution, provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2021, the net asset value of the Fund as at June 30, 2021 would have been higher by Re 0.3985 per unit (2020: Re 0.3226 per unit).

### **10.2 Federal Excise Duty Payable**

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) as a result of which FED at the rate of 16 percent on the remuneration of the Management Company and sales load was applicable with effect from June 13, 2013. The Management Company was of the view that since the remuneration was already subject to provincial sales tax, further levy of FED would result in double taxation which did not appear to be the spirit of the law. Hence, on September 4, 2013 a constitutional petition was filed with the Sindh High Court (SHC) by the Management Company together with various other asset management companies challenging the levy of FED.

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.

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs. 54.286 million (2019: Rs. 54.286 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision not been made, the NAV per unit of the Fund would have been higher by Re 0.161 per unit (June 30, 2020: Re 0.1947 per unit).

### 11. CONTINGENCIES AND COMMITMENTS

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

### 12. AUDITORS' REMUNERATION

	June 30, 2021	June 30, 2020
	(Rupees in '000)	
Annual audit fee	500	500
Half yearly review fee	285	285
Other certifications	50	50
Out of pocket expenses	263	330
	1,098	1,165

### 13. TAXATION

- 13.1 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 90% of the accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders as cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its accounting income for the year derived from sources other than capital gains as reduced by such expenses as are chargeable thereon to the unit holders. Since the management has distributed the required minimum percentage of income earned by the Fund for the year ended June 30, 2021 to the unit holders in the manner as explained above, no provision for taxation has been made in these financial statements during the year.

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.

	Note	June 30, 2021	June 30, 2020
		(Rupees in '000)	
14. CASH AND CASH EQUIVALENTS			
In deposit accounts	4	29,822,364	27,503,627
In current account	4	4,223,994	519,995
		34,046,358	28,023,622

### 15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at June 30, 2021 is 0.67% (2020: 1.19%) which includes 0.21% (2020: 0.34%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund (if any), sales taxes, annual fee to the SECP, etc. The prescribed limit for the ratio is 2% (2020: 2%) (excluding government levies) under the NBFC Regulations for a collective investment scheme categorised as a money market scheme.

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

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

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

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

Remuneration to the Management Company of the Fund is determined in accordance with the provision of the NBFC Regulations and the Trust Deed.

Remuneration to the Trustee of the Fund is determined in accordance with the provision of the Trust Deed.

The details of transactions and balances at year end with related parties / connected persons are as follows:

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

	For the year ended	
	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>MCB - Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration including indirect taxes	113,912	107,714
Allocated expenses	23,728	19,379
Selling and marketing expenses	-	34,992
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration including indirect taxes	23,608	14,233
CDS charges	7	7
<b>MCB Bank Limited</b>		
Profit on Bank deposits	1,420	4,641
Bank charges	228	200
Purchase of securities - Face value: Nil (2020: Rs 1,000,000,000)	-	997,827
<b>Arif Habib Limited</b>		
Brokerage*	14	44

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

### 16.2 Amounts outstanding at year end

	June 30, 2021	June 30, 2020
	----- (Rupees in '000) -----	
<b>MCB - Arif Habib Savings and Investments Limited - Management Company</b>		
Management fee payable	8,147	9,263
Sales tax payable on remuneration of the Management Company	1,057	1,203
Allocated expenses payable	995	2,185
Selling and marketing expenses payable	-	4,654
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	1,783	1,422
Sindh Sales tax payable on trustee remuneration	232	185
<b>MCB Bank Limited</b>		
Bank balance	30,109	43,089
Profit receivable on bank deposits	419	4,641
<b>Arif Habib Limited</b>		
Brokerage payable*	-	44

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



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

## 16.3 Transactions during the year with connected persons / related parties in units of the Fund:

	June 30, 2021							
	As at July 01, 2020	Issued for cash	Redeemed	As at June 30, 2021	As at July 01, 2020	Issued for cash	Redeemed	As at June 30, 2021
	Units				(Rupees in '000)			
<b>Associated Companies</b>								
MCB - Arif Habib Savings and Investments Limited - Management Company	5,469,446	42,456,645	47,861,324	64,767	551,627	4,282,130	4,831,992	6,540
Adamjee Insurance Company Limited.	-	518,776	-	518,776	-	52,322	-	52,386
Hyundai Nishat Motor Private Limited	22,187	1,438	23,625	-	2,238	145	2,387	-
Nishat Mills Limited Employees Provident Fund Trust	-	4,952,751	4,952,751	-	-	500,000	501,543	-
MCB Financial Services Limited	834,417	47,999	19,799	862,617	84,156	4,841	2,000	87,107
D.G. Khan Cement Company Limited	2	-	-	2	-	-	-	-
Nishat Power Limited Employees Provident Fund Trust	103,985	7,117	-	111,102	10,488	718	-	11,219
Adamjee Insurance Company Limited - Employees Gratuity Fund	267,294	285,284	484,445	68,133	26,958	28,773	48,907	6,880
Adamjee Insurance Company Limited - Employees Provident Fund	534,504	784,751	1,123,242	196,013	53,908	79,156	113,408	19,793
Security General Insurance Company Limited	4,517,331	60,333	4,567,388	10,276	455,601	6,085	461,000	1,038
Sayed Engineers Limited	5,654	327	-	5,981	570	33	-	604
IT Minds Limited	-	129,114	129,114	-	-	13,022	13,041	-
Asghari Beg Memorial Trust	-	5,018	5,018	-	-	506	507	-
Adamjee Life Assurance Co. Ltd. (IMF)	-	1,241,626	1,241,626	-	-	125,226	125,447	-
<b>Total associated Companies</b>	<b>11,754,820</b>	<b>50,491,179</b>	<b>60,408,332</b>	<b>1,837,667</b>	<b>1,185,546</b>	<b>5,092,956</b>	<b>6,100,233</b>	<b>185,567</b>
<b>Key management personnel*</b>	<b>16,141,478</b>	<b>7,159,542</b>	<b>207,089</b>	<b>23,093,931</b>	<b>1,627,967</b>	<b>883,141</b>	<b>181,946</b>	<b>2,332,024</b>
<b>Mandate Under Discretionary Portfolio Services*</b>	<b>16,881,852</b>	<b>220,349,481</b>	<b>235,196,838</b>	<b>2,034,495</b>	<b>1,702,638</b>	<b>22,234,098</b>	<b>23,764,565</b>	<b>205,443</b>
<b>Unit holders holding 10% or more units *</b>	<b>60,365,689</b>	<b>1,427,321,050</b>	<b>149,124,083</b>	<b>1,338,562,656</b>	<b>6,088,250</b>	<b>11,449,127</b>	<b>15,040,073</b>	<b>135,167,995</b>

\* This reflects the position of related party / connected persons status as at June 30, 2021.

June 30, 2020							
As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020	As at July 01, 2019	Issued for cash	Redeemed	As at June 30, 2020
Units				(Rupees in '000)			
<b>Associated Companies</b>							
MCB - Arif Habib Savings and Investments Limited - Management Company	2,108,505	78,099,371	74,738,430	5,469,446	212,205	7,863,350	7,547,711
Adamjee Insurance Company Limited.	25,706	2,023,332	2,049,038	-	2,587	203,633	206,846
Hyundai Nishat Motor Private Limited	-	22,187	-	22,187	-	2,233	-
Nishat Mills Limited Employees Provident Fund Trust	141,826	3,890,457	4,032,283	-	14,274	391,545	406,789
Adamjee Life Assurance Company Limited -ISF II Fund	-	1,787,450	1,787,450	-	-	180,000	180,261
MCB Financial Services Limited	730,103	129,154	24,840	834,417	73,479	12,998	2,500
D.G. Khan Cement Company Limited	2	-	-	2	-	-	-
Nishat Power Limited Employees Provident Fund Trust	110,634	13,175	19,824	103,985	11,134	1,326	2,000
Adamjee Insurance Company Limited - Employees Gratuity Fund	244,831	30,035	7,572	267,294	24,640	3,023	765
Adamjee Insurance Company Limited - Employees Provident Fund	489,205	60,039	14,740	534,504	49,235	6,042	1,489
Security General Insurance Company Limited	-	5,518,352	1,001,021	4,517,331	-	555,380	100,999
Security General Insurance Company Limited - Employees Provident Fund	46,297	2,286	48,583	-	4,659	230	4,895
Sayyed Engineers Limited	5,116	538	-	5,654	515	54	-
<b>Total associated Companies</b>	<b>3,902,225</b>	<b>91,576,376</b>	<b>83,723,781</b>	<b>11,754,820</b>	<b>392,728</b>	<b>9,219,814</b>	<b>8,454,255</b>
<b>Key management personnel*</b>	<b>123,834</b>	<b>17,683,236</b>	<b>1,675,991</b>	<b>16,131,079</b>	<b>12,458</b>	<b>779,269</b>	<b>169,151</b>
<b>Mandate Under Discretionary Portfolio Services*</b>	<b>11,725,053</b>	<b>162,152,017</b>	<b>152,822,275</b>	<b>21,054,795</b>	<b>1,180,036</b>	<b>16,321,922</b>	<b>15,435,386</b>
<b>Unit holders holding 10% or more units *</b>	<b>30,635,529</b>	<b>113,718,112</b>	<b>58,140,191</b>	<b>86,213,450</b>	<b>3,083,230</b>	<b>11,544,852</b>	<b>3,160,518</b>
							<b>8,695,155</b>

\* This reflects the position of related party / connected persons status as at June 30, 2020.

## 17 FINANCIAL INSTRUMENTS BY CATEGORY

2021		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		
<b>Financial assets</b>		
Balances with banks	34,046,358	-
Deposits and profit receivable	191,810	-
	<b>34,238,168</b>	<b>34,238,168</b>

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

## Financial liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company	-	10,199	10,199
Payable to Central Depository Company of Pakistan Limited - Trustee	-	2,015	2,015
Accrued and other liabilities	-	1,230	1,230
	-	13,444	13,444

2021		
At fair value through profit or loss	At amortised cost	Total
Rupees in '000		

## Financial assets

Balances with banks	28,023,622	-	28,023,622
Investments	-	33,582	33,582
Deposits and profit receivable	208,904	-	208,904
Receivable against sale of investments	3,360,717	-	3,360,717
	31,593,243	33,582	31,626,825

2020		
At amortised cost	At fair value through profit or loss	Total
Rupees in '000		

## Financial liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company	-	17,305	17,305
Payable to Central Depository Company of Pakistan Limited - Trustee	-	1,607	1,607
Payable against purchase of investments	-	3,352,541	3,352,541
Accrued and other liabilities	-	1,310	1,310
	-	3,372,763	3,372,763

2020		
At fair value through profit or loss	At amortised cost	Total
Rupees in '000		

## 18. FINANCIAL RISK MANAGEMENT

The Fund's objective in managing risk is the protection of unit holders' value. Risk is inherent in the Fund's activities, but it is managed through monitoring and controlling activities which are primarily set up to be performed based on limits established by the Management Company, the constitutive documents of the Fund and the regulations and directives of the SECP. These limits reflect the business strategy and market environment of the Fund as well as the level of the risk that the Fund is willing to accept. The Board of Directors of the Management Company supervises the overall risk management approach within the Fund. The Fund is exposed to market risk, liquidity risk and credit risk arising from the financial instruments it holds.

### 18.1 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 the market risk through diversification of the investment portfolio and by following the internal guidelines established by the Investment Committee.

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

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

## 18.1.1 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 does not have any financial instrument in foreign currencies and hence is not exposed to such risk.

## 18.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. As of June 30, 2021, the Fund is exposed to such risk on its balances with banks. 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.

### a) Sensitivity analysis for variable rate instruments

As at June 30, 2021, the Fund holds KIBOR based 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 assets value of the Fund and the net income for the year would have been higher / lower by Rs 298.22 million (2020: Rs 280.04 million).

### b) Sensitivity analysis for fixed rate instruments

As at June 30, 2021, the Fund does not hold any financial instrument that may expose the Fund to fair value interest rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by the Financial Markets Association of Pakistan (FMAP) are expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2021 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

The Fund's interest rate sensitivity related to financial assets and financial liabilities as at June 30, 2021 can be determined as follows:

June 30, 2021					
Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk	Total
Rupees in '000					

#### On-balance sheet financial instruments

##### Financial Assets

Balances with banks	5.5% to 7.85%	29,822,364	-	-	4,223,994	34,046,358
Deposits & profit receivable		-	-	-	191,810	191,810
		<u>29,822,364</u>	<u>-</u>	<u>-</u>	<u>4,415,804</u>	<u>34,238,168</u>

##### Financial Liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	10,199	10,199
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	2,015	2,015
Accrued and other liabilities		-	-	-	1,230	1,230
		<u>-</u>	<u>-</u>	<u>-</u>	<u>13,444</u>	<u>13,444</u>

On-balance sheet gap (a)		<u>29,822,364</u>	<u>-</u>	<u>-</u>	<u>4,402,360</u>	<u>34,224,724</u>
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#### Off-balance sheet financial instruments

Off-balance sheet gap (b)		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Total profit rate sensitivity gap (a+b)		<u>29,822,364</u>	<u>-</u>	<u>-</u>		
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Cumulative profit rate sensitivity gap		<u>29,822,364</u>	<u>29,822,364</u>	<u>29,822,364</u>		
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2021

June 30, 2020					
Yield / effective interest rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to yield / interest risk	Total

Rupees in '000

## On-balance sheet financial instruments

### Financial Assets

Balances with banks	5.5% to 14.45%	27,503,627	-	-	519,995	28,023,622
Market Treasury Bills	7.67% to 8.02%	-	33,582	-	-	33,582
Deposits & profit receivable		-	-	-	208,904	208,904
Receivable against sale of investments		-	-	-	3,360,717	3,360,717
		<u>27,503,627</u>	<u>33,582</u>	<u>-</u>	<u>4,089,616</u>	<u>31,626,825</u>

### Financial Liabilities

Payable to the MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	17,305	17,305
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	1,607	1,607
Payable against purchase of investments		-	-	-	3,352,541	3,352,541
Accrued expenses and other liabilities		-	-	-	1,310	1,310
		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,372,763</u>	<u>3,372,763</u>

### On-balance sheet gap (a)

<u>27,503,627</u>	<u>33,582</u>	<u>-</u>	<u>716,853</u>	<u>28,254,062</u>
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### Off-balance sheet financial instruments

-	-	-	-	-
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### Off-balance sheet gap (b)

-	-	-	-	-
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### Total profit rate sensitivity gap (a+b)

<u>27,503,627</u>	<u>33,582</u>	<u>-</u>
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### Cumulative profit rate sensitivity gap

<u>27,503,627</u>	<u>27,537,209</u>	<u>27,537,209</u>
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## 18.1.3 Price risk

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

## 18.2 Credit risk

Credit risk represents the accounting loss that would be recognised at the reporting date if counter parties fail completely to perform as contracted.

Credit risk arising on the debt instruments is mitigated by investing in rated instruments or instruments issued by rated counterparties of credit ratings of at least investment grade by the recognised rating agencies. The Fund receives a monthly rating update, against which investments are reviewed.

Credit risk arises from deposits with banks and financial instruments, profit receivable on balances with banks and receivable against conversion of units. Credit risk arising on financial assets is monitored through a regular analysis of financial position of brokers and other parties. In accordance with the risk management policy of the Fund, the investment committee monitors the credit position on a daily basis which is reviewed by the Board of Directors of the Management Company on a quarterly basis.

The table below analyses the Fund's maximum exposure to credit risk:

	2021		2020	
	Balance as per statement of assets and liabilities	Maximum exposure to credit risk	Balance as per statement of assets and liabilities	Maximum exposure to credit risk
Rupees in '000				
Balances with banks	34,046,358	34,046,358	28,023,622	28,023,622
Investments	-	-	33,582	-
Deposits and profit receivable	191,810	191,810	208,904	208,904
Receivable against sale of investments	-	-	3,360,717	3,360,717
	<u>34,238,168</u>	<u>34,238,168</u>	<u>31,626,825</u>	<u>31,593,243</u>

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

Difference in the balance as per statement of assets and liabilities and maximum exposure to credit risk is due to the fact that investment in Market Treasury Bills of Rs. Nil (2020: Rs. 33.582) million is not exposed to credit risk.

The analysis below summaries the credit rating quality of the Fund's financial assets.

Bank balances by rating category	2021 ----- % -----	2020 ----- % -----
AAA	99.71	99.97
AA+	0.26	0.03
AA*	0.00	-
AA-	0.03	-
	100	100

\* Nil figures due to rounding off

The analysis below summaries the credit quality of the Fund's investments as at June 30, 2021 and June 30, 2020:

Investments by rating category	June 30, 2021 ----- % -----	June 30, 2020 ----- % -----
Government securities	-	100.00

### 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 diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

### Settlement risk

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

### 18.3 Liquidity risk

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

The Fund is exposed to daily redemptions at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets in investments that are traded in an active market and can be readily disposed of and are considered readily realisable.

As per the NBFC Regulations, the Fund can borrow in the short-term to ensure settlement the maximum limit of which is fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund.

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

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

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

2021						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

### Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company

Payable to Central Depository Company of Pakistan Limited - Trustee

Accrued and other liabilities

10,199	-	-	-	-	-	10,199
2,015	-	-	-	-	-	2,015
1,230	-	-	-	-	-	1,230
<b>13,444</b>	-	-	-	-	-	<b>13,444</b>

2020						
Within 1 month	More than one month and upto three months	More than three months and upto one year	More than one year and upto five years	More than 5 years	Financial instruments with no fixed maturity	Total

Rupees in '000

### Financial liabilities

Payable to MCB-Arif Habib Savings and Investments Limited - Management Company

Payable to Central Depository Company of Pakistan Limited - Trustee

Payable against purchase of investments

Accrued and other liabilities

17,305	-	-	-	-	-	17,305
1,607	-	-	-	-	-	1,607
3,352,541	-	-	-	-	-	3,352,541
1,310	-	-	-	-	-	1,310
<b>3,372,763</b>	-	-	-	-	-	<b>3,372,763</b>

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

### Fair value hierarchy

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

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

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

As at June 30, the Fund held the following financial instruments measured at fair values:

	----- June 30, 2021 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets at fair value through profit or loss	-	-	-	-
	-	-	-	-
	----- June 30, 2020 -----			
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
Financial assets at fair value through profit or loss				
Market Treasury Bills	-	33,582	-	33,582
	-	33,582	-	33,582

### 20. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. These units are entitled to dividends and to payment of their proportionate share of the Fund's Net Asset Value per unit on the redemption date. The relevant movements are shown on the 'Statement of Movement in Unitholders' Fund'.

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

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

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

### 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the Investment Committee of the Fund are as follows:

S. No.	Name	Designation	Qualification	Experience in years
1	Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22.5
2	Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	17
3	Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	11
4	Mr. Saad Ahmed	Head of Fixed Income	MBA	16
5	Syed Mohammad Usama Iqbal	Fund Manager	B.Com	17

#### 21.1 Mr. Saad Ahmed is the Fund Manager. Details of the other funds being managed by him are as follows:

- Pakistan Income Enhancement Fund
- MCB DCF Income Fund
- Pakistan Cash Management Fund
- MCB Pakistan Sovereign Fund
- Alhamra Daily Dividend Fund



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

## 22. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2021 (Percentage)
1 Invest One Markets Limited	29.21
2 Continental Exchange Pvt Limited	23.78
3 C And M Management Private	10.75
4 Icon Securities Private Ltd	7.02
5 Bright Capital Pvt Ltd	6.18
6 Magenta Capital Ltd	5.44
7 Bipl Securities Limited	4.38
8 Pearl Securities Limited	3.15
9 Arif Habib Limited	2.73
10 Currency Market Associates Pvt Limited	2.14
	2020 (Percentage)
1 Invest One Markets (Private) Limited	27.00
2 Icon Securities (Private) Limited	12.00
3 Bright Capital (Private) Limited	9.00
4 Pearl Securities Limited	9.00
5 Currency Market Associates Pvt Limited	9.00
6 Continental Exchange (Private) Limited	8.00
7 Arif Habib Limited	7.00
8 Optimas Capital Management Limited	6.00
9 BMA Capital Management Limited	6.00
10 JS Global Capital Limited	3.00

## 23. PATTERN OF UNITHOLDING

	----- As at June 30, 2021-----			
	Number of unit holders	Number of units	Investment amount (Rupees in '000')	Percentage investment %
Individuals	3,765	66,595,310	6,724,792	19.76
Insurance Companies	1	1,490,702	150,531	0.44
Retirement funds	57	6,974,595	704,294	2.07
Associated Companies	9	1,837,667	185,567	0.55
Others	114	260,095,969	26,264,479	77.18
	<u>3,946</u>	<u>336,994,243</u>	<u>34,029,663</u>	<u>100.00</u>

	----- As at June 30, 2020-----			
	Number of unit holders	Number of units	Investment amount (Rupees in '000')	Percentage investment %
Individuals	1,968	82,915,190	8,362,505	29.80
Insurance Companies	1	251,312	25,346	0.10
Retirement funds	55	8,607,957	868,165	3.10
Associated Companies	10	11,754,820	1,185,546	4.20
Others	1,252	175,142,781	17,664,224	62.80
	<u>3,286</u>	<u>278,672,060</u>	<u>28,105,786</u>	<u>100.00</u>

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

### 24. ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS

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

Name of persons attending the meetings	Designation	Number of meetings held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave granted	
Mr. Haroun Rashid	Chairman	11	11	11	-	-
Mr. Nasim Beg	Director	11	11	11	-	-
Mr. Ahmed Jahangir	Director	11	11	11	-	-
Mr. Mirza Qamar Beg	Director	11	11	11	-	-
Syed Savail Meekal Hussain	Director	11	11	11	-	-
Mr. Kashif A. Habib	Director	11	11	10	1	165
Ms. Mavra Adil Khan	Director	11	11	8	3	159,163 & 167
Mr. Muhammad Saqib Saleem (CEO)	Chief Executive Officer	11	11	11	-	-

### 25. CASH DISTRIBUTIONS DURING THE YEAR

-----June 30, 2021-----				
Rate per unit	Declaration date	Refund of Capital	Distribution from Income	
----- Rupees in '000 -----				
For the period ended July 10, 2020	Re 0.2642	July 13, 2020	3,167	65,679
For the period ended July 17, 2020	Re 0.1400	July 20, 2020	844	37,644
For the period ended August 11, 2020	Re 0.3082	August 12, 2020	9,581	83,076
For the period ended August 21, 2020	Re 0.2357	August 24, 2020	3,716	65,176
For the period ended September 4, 2020	Re 0.229	September 7, 2020	11,703	55,995
For the period ended September 18, 2020	Re 0.2539	September 21, 2020	1,801	72,854
For the period ended October 2, 2020	Re 0.2621	October 5, 2020	3,114	74,342
For the period ended October 16, 2020	Re 0.2752	October 19, 2020	3,901	79,409
For the period ended November 6, 2020	Re 0.3941	November 9, 2020	9,612	115,281
For the period ended November 20, 2020	Re 0.2524	November 23, 2020	3,411	77,838
For the period ended December 4, 2020	Re 0.2542	December 7, 2020	4,689	78,985
For the period ended December 18, 2020	Re 0.2582	December 21, 2020	2,611	81,246
For the period ended December 29, 2020	Re 0.1747	December 30, 2020	2,419	56,759
For the period ended January 20, 2021	Re 0.4282	January 21, 2021	5,522	138,461
For the period ended February 4, 2021	Re 0.3254	February 8, 2021	1,939	100,414
For the period ended February 19, 2021	Re 0.2532	February 22, 2021	4,821	78,140
For the period ended March 05, 2021	Re 0.2568	March 8, 2021	784	83,582
For the period ended March 19, 2021	Re 0.2710	March 22, 2021	3,394	88,443
For the period ended April 2, 2021	Re 0.2778	April 5, 2021	755	92,665
For the period ended April 16, 2021	Re 0.2922	April 19, 2021	459	91,507
For the period ended May 26, 2021	Re 0.7093	May 27, 2021	11,666	214,878
For the period ended June 07, 2021	Re 0.2287	June 8, 2021	307	73,257
For the period ended June 24, 2021	Re 0.3429	June 25, 2021	4,652	111,337
			94,868	2,016,968

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

-----June 30, 2020-----				
	Rate per unit	Declaration date	Refund of Capital	Distribution from Income
			----- Rupees in '000 -----	
For the period ended July 19, 2019	Re 0.6999	July 22, 2019	3,997	91,659
For the period ended August 2, 2019	Re 0.4732	August 5, 2019	5,224	54,103
For the period ended August 16, 2019	Re 0.4808	August 19, 2019	1,665	60,254
For the period ended September 6, 2019	Re 0.8042	September 11, 2019	6,557	102,019
For the period ended September 20, 2019	Re 0.4381	September 23, 2019	1,267	54,905
For the period ended October 4, 2019	Re 0.5100	October 7, 2019	1,666	64,984
For the period ended October 18, 2019	Re 0.5122	October 21, 2019	2,453	67,638
For the period ended November 1, 2019	Re 0.4950	November 4, 2019	4,449	66,881
For the period ended November 15, 2019	Re 0.4501	November 18, 2019	6,388	76,107
For the period ended December 6, 2019	Re 0.6885	December 9, 2019	9,195	129,272
For the period ended December 20, 2019	Re 0.4998	December 23, 2019	3,840	99,455
For the period ended January 03, 2020	Re 0.5102	January 6, 2020	2,480	96,494
For the period ended January 17, 2020	Re 0.5019	January 20, 2020	3,271	96,665
For the period ended February 07, 2019	Re 0.7188	February 10, 2020	9,039	134,222
For the period ended February 21, 2020	Re 0.4842	February 24, 2020	2,977	95,160
For the period ended March 06, 2020	Re 0.4939	March 09, 2020	2,755	100,225
For the period ended March 06, 2020	Re 0.5943	March 24, 2020	8,878	127,982
For the period ended April 03, 2020	Re 0.4626	April 06, 2020	7,603	110,203
For the period ended April 17, 2020	Re 0.5675	April 20, 2020	6,466	145,839
For the period ended April 30, 2020	Re 0.4359	May 4, 2020	2,085	98,937
For the period ended May 15, 2020	Re 0.2786	May 18, 2020	742	54,493
For the period ended June 05, 2020	Re 0.4499	June 8, 2020	17,602	93,299
For the period ended June 19, 2020	Re 0.3067	June 22, 2020	3,092	75,206
			<u>113,691</u>	<u>2,096,002</u>

## 26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue by the Board of Directors of the Management Company on August 09, 2021 And further amended on September 15 2021 to incorporate the subsequent event as disclosed in note 27.3 to these financial statements

## 27. GENERAL

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

### 27.2 Impact of COVID-19

The COVID – 19 pandemic has taken a toll on all economies and emerged as a contagion risk around the globe, including Pakistan. To reduce the impact on businesses and economies in general, regulators / governments across the globe have introduced a host of measures on both the fiscal and economic fronts. The Securities and Exchange Commission of Pakistan (SECP) had provided certain time bound relaxations to CISs operating in Pakistan in order to provide temporary relaxation against covid pandemic. All of the relaxations provided have expired prior to June 30, 2021.

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

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The Management Company is closely monitoring the situation and has invoked required actions to ensure safety and security of the staff and an uninterrupted service to the customers. Business Continuity Plans (BCP) for respective areas are in place and tested. The Management Company has significantly enhanced monitoring for all cyber security risk during these times from its information security protocols. The remote work capabilities were enabled for critical staff and related risk and control measures were assessed to make sure they are fully protected using virtual private network ("VPN") connections. Further, the Management Company has also ensured that its remote access systems are sufficiently resilient to any unwanted cyber-attacks.

### 27.3 Subsequent Event

Subsequent to the year ended June 30, 2021, Sindh Revenue Board (SRB) through its letter dated August 12, 2021 has intimated Mutual Funds Association of Pakistan's (MUFAP) that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the Sindh Workers' Welfare Fund (SWWF) contributions. This development was discussed at MUFAP level and was also been taken up with the Securities and Exchange Commission of Pakistan (SECP). All the Asset Management Companies. In consultation with SECP, have reversed the cumulative provision for SWWF recognized in the financial statements of the Funds. For the period from May 21, 2015 to August 12, 2021, on August 13, 2021.

The SECP has given its concurrence for prospective reversal of provision for SWWF through its letter dated August 30, 2021. Accordingly, going forward, no provision for SWWF would be recognized in the financial statements of the Fund. Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2021, the net asset value per unit of the Fund as at June 30, 2021 would have been higher by Rs 0.3985 (2020: Re 0.3226).

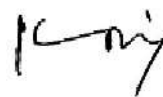
For MCB-Arif Habib Savings and Investments Limited  
(the Management Company)



Chief Executive Officer



Chief Financial Officer



Director

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

No. of Unit Holders	Unit Holdings	Total Units Held
2242	001-10,000	33,815
512	10,001 – 100,000	182,928
529	100,001 – 1,000,000	2,170,075
663	1,000,001+	334,607,424
<b>3946</b>		<b>336,994,243</b>

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

Performance Information	2021	2020	2019	2018	2017
Total Net Assets Value – Rs. in million	34,029.663	28,105.7866	13,902.616	11,993	10,093
Net Assets value per unit – Rupees	100.98	100.8561	100.6423	105.9707	100.53
Closing Offer Price	100.98	100.8561	100.6423	105.9707	100.53
Closing Repurchase Price	100.98	100.8561	100.6423	105.9707	100.53
Highest offer price per unit	101.5507	101.4111	101.6709	105.9707	106.95
Lowest offer price per unit	100.8561	100.6423	100.5452	100.579	100.34
Highest Redemption price per unit	101.5507	101.4111	101.6709	105.9707	106.95
Lowest Redemption price per unit	100.8561	100.6423	100.5452	100.579	100.34
Distribution per unit – Rs. *	6.6874	11.8563	13.9047	-	6.90
Average Annual Return - %					
One year	6.98	12.71	8.88	5.41	7.11
Two year	9.85	10.80	7.15	6.26	6.44
Three year (inception date September 30, 2009)	9.52	9.00	7.13	6.10	7.24
Net Income for the period – Rs. in million	2174.165	2,297.7126	1,190.9620	673.48	140.68
Distribution made during the year – Rs. in million	2132.993	2,236.3500	1,783.4760	-	157.20
Accumulated Capital Growth – Rs. in million	41.1720	88.0197	-592.5140	673.48	(16.52)
Weighted average Portfolio Duration (months)	0.03	0.03	0.37	0.03	0.23

**\* Date of Distribution**

2021		2020		2019	
Date	Rate	Date	Rate	Date	Rate
13-Jul-20	0.2642	22-Jul-19	0.6999	4-Jul-18	5.4255
20-Jul-20	0.14	5-Aug-19	0.4732	6-Aug-18	0.6385
12-Aug-20	0.3082	19-Aug-19	0.4808	20-Aug-18	0.254
24-Aug-20	0.2357	11-Sep-19	0.8042	10-Sep-18	0.3899
7-Sep-20	0.229	23-Sep-19	0.4381	24-Sep-18	0.2667
21-Sep-20	0.2539	7-Oct-19	0.51	8-Oct-18	0.2837
5-Oct-20	0.2621	21-Oct-19	0.5122	22-Oct-18	0.2986
19-Oct-20	0.2752	4-Nov-19	0.495	8-Nov-18	0.3276
9-Nov-20	0.3941	18-Nov-19	0.4501	19-Nov-18	0.2637
23-Nov-20	0.2524	9-Dec-19	0.6885	10-Dec-18	0.3782
7-Dec-20	0.2542	23-Dec-19	0.4998	24-Dec-18	0.3604
21-Dec-20	0.2582	6-Jan-20	0.5102	21-Jan-19	0.7131
30-Dec-20	0.1747	20-Jan-20	0.5019	4-Feb-19	0.3385
22-Jan-21	0.4282	10-Feb-20	0.7188	18-Feb-19	0.3868
8-Feb-21	0.3254	24-Feb-20	0.4842	4-Mar-19	0.3667
22-Feb-21	0.2532	9-Mar-20	0.4939	18-Mar-19	0.3718
8-Mar-21	0.2568	24-Mar-20	0.5943	8-Apr-19	0.5711
22-Mar-21	0.271	6-Apr-20	0.4626	22-Apr-19	0.3738
5-Apr-21	0.2778	20-Apr-20	0.5675	20-May-19	0.7377
19-Apr-21	0.2922	4-May-20	0.4359	28-Jun-19	1.1584
27-May-21	0.7093	18-May-20	0.2786		
8-Jun-21	0.2287	8-Jun-20	0.4499		
25-Jun-21	0.3429	22-Jun-20	0.3067		

2017	
Date	Rate

June 19, 2017      6.90

2018	
Date	Rate

Nil

**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.

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