KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2, Beaumont Road
Karachi 75530 Pakistan
+92 (21) 35685847, Fax +92 (21) 35685095

The Board of Directors
MCB Arif Habib Savings and Investments
Limited – Management Company
2nd Floor Adamjee House
I.I Chundrigar Road
Karachi

Our ref KA-ZS-142

Contact Amyn Pirani

5 August 2021

Dear Sirs,

Audit of financial statements of Alhamra Islamic Stock Fund and Alhamra Islamic Money Market Fund (Formerly MCB Pakistan Frequent Payout Fund) for the year ended 30 June 2021 (collectively referred to as "the Funds")

We are pleased to enclose three copies of the draft financial statements of each of the above Funds for the year ended 30 June 2021 along with our draft audit report to the unit holders of the respective funds. The draft financial statements have been initialled by us for identification purposes. We shall sign our report, in its present or modified form, after these financial statements have been approved by the Board of Directors ("the Board") and signed by the Chief Executive Officer, Chief Financial Officer and a Director authorised to do so on behalf of MCB Arif Habib Savings and Investments Limited ("the Management Company") after we have been provided the following:

a) Specific Board approval for the items mentioned in Annexure "A" to this letter;

b) Certain confirmations, details of which are mentioned in Annexure "B";

c) Shariah Advisor Report's, Trustees' Reports and Directors' Reports of the Funds for the year ended 30 June 2021; and

d) Representation letters of the respective Funds duly signed by the Chief Executive Officer and Chief Financial Officer of the Management Company (draft is enclosed).

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in the International Standards on Auditing as applicable in Pakistan. While the auditors are responsible for forming and expressing an opinion on the financial statements, the management is responsible to prepare and present the financial statements in accordance with accounting and reporting standards as applicable in Pakistan. The management's responsibilities include the maintenance of adequate accounting records and such internal controls as the Management and the

Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The preparation of financial statements requires the Management to exercise judgment in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. The Board of Directors are responsible for overseeing the strategic direction of the Funds and overseeing the financial reporting process. The audit of financial statements does not relieve the Board / management of their responsibilities.

Accordingly, our examination of books of account and records should not be relied upon to disclose all the errors or irregularities which are not material in relation to the financial statements taken as whole.

These financial statements shall remain and be deemed un-audited unless these have been approved by the Board of Directors, and signed by the Chief Executive Officer, Chief Financial Officer and a Director authorized to do so on its behalf and the audit report on these financial statements has been signed by us.

We would like to draw your attention to following accounting and other matters which are relevant to these financial statements.

1. Sindh Workers Welfare Fund Act, 2014

The status of Sindh Workers Welfare Fund Act, 2014 is the same as disclosed in annual financial statements for the year ended 30 June 2021 (refer relevant notes to the financial statements). MUFAP has taken a legal opinion that SWWF, if applicable, can only be applied from the date of the enactment of SWWF Act, 2014, i.e. 21 May 2015. Accordingly, the Management Company as an abundant caution, has decided to provide for SWWF with effect from 21 May 2015 (on the advice of MUFAP), while the efforts to exclude mutual funds for SWWF continue. The effect of the same has been disclosed in the financial statements of the respective Funds.

2. Federal Excise Duty (FED)

As more fully explained in relevant notes to the financial statements of the respective Funds, the Management Company, as a matter of abundant caution, are carrying provision for FED for the period from 13 January 2013 to 30 June 2016 as the tax authorities have filed appeal against the decision of the Sindh High Court (SHC) dated 4 September 2013 in the Supreme Court of Pakistan, which is pending for the decision.

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3. Withholding income tax receivable

Income of the fund is exempt from taxation under Income Tax Ordinance, 2001. However, in case of Alhamra Islamic Stock Fund and Alhamra Islamic Money Market Fund (Formerly MCB Pakistan Frequent Payout Fund) withholding tax of Rs. 1.364 million and Rs. 0.427 million as of 30 June 2021 respectively has been deducted by certain entities. These deductions were made pending the availability of tax exemption certificates.

Management is of the view that these are recoverable balances and shall be received from the taxation authorities in due course of time.

4. Trust Act changes

In the current year, The Sindh Trusts Act, 2020" (the Act) was promulgated on 22 September 2020. Various new requirements including registration under the Trust Act have been introduced. We have been informed by the management that the Management Company after fulfilling the requirement for registration of Trust Deed under Sindh Act 2020, has submitted Collective Investment Scheme's Trust Deed to Registrar acting under Sindh Act 2020 for registration.

5. Related parties' relationships and transactions

We have also been informed that there are no related parties' transactions and balances other than those which have been disclosed in the financial statements of the respective Funds.

6. Contingencies and Commitments

We have been informed by the management that there are no contingencies and commitments outstanding in the Funds as at 30 June 2021.

Finally, we would like to thank the management and staff of the Management Company for the courtesy and co-operation extended to us during the course of our audit.

Yours faithfully,

KPMG Taseer Hadi & Co.

Annexure "A"

SPECIFIC BOARD'S APPROVAL FOR THE FOLLOWING

Description	**Alhamra Islamic Stock Fund (Rupees in '000)**	**Alhamra Islamic Money Market Fund (Rupees in '000)**
Remuneration of the Management Company, inclusive of Sindh Sales Tax	78,028	3,981
Remuneration of Trustee, inclusive of Sindh Sales Tax (SST)	5,023	2,868
Investments purchased during the year	5,794,104	18,581,666
Investments sold during the year	5,765,128	6,853,728
Expenses allocated by the Management Company	3,453	21
Selling and marketing expenses charged to the Funds	44,882	165
Expenses not charged to the Funds during the year	-	3,732
Receivable from the Management Company	-	1,844

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MCB Arif Habib Savings and Investments Limited – Management Company

Audit of financial statements of Alhamra Islamic Stock Fund and Alhamra Islamic Money Market Fund (Formerly MCB Pakistan Frequent Payout Fund) for the year ended 30 June 2021 (collectively referred to as "the Funds")

5 August 2021

Annexure "B"

1. **Pending Bank Confirmations of:**
    - Alhamra Islamic Stock Fund
    - Alhamra Islamic Money Market Fund

2. **Tax Confirmation**
   Shekha and Mufti Chartered Accountants

3. **Legal Confirmation**
   Bawany and Partners

4. **Confirmation from Central Depositary Company Limited**

5. **Confirmation from National Clearing Company of Pakistan Limited (NCCPL)**