



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY AKORA

ANNUAL REPORT 2018

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

ALHAMRA ISLAMIC ASSET ALLOCATION FUND

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating Officer & Company Secretary	Mr. Muhammad Asif Mehdi Rizvi	
Chief Financial Officer	Mr. Abdul Basit	
Trustee	Central Depository Company of Pakistan Ltd. 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	
Bankers	Habib Bank Limited MCB Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited National Bank of Pakistan Askari Bank Limited Bank Islami Pakistan Limited Meezan Bank Limited Al-Baraka Bank Pakistan Limited Dubai Islamic Bank Pakistan Limited Silk Bank Limited MCB Islamic Bank Limited Habib Metropolitan Bank Limited	
Auditors	Ernst & Young Ford Rhodes Chartered Accountants Progressive Plaza, Beaumont Road P.O. Box 15541 Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

Dear Investor,

On behalf of the Board of Directors, We are pleased to present **Alhamra Islamic Asset Allocation Fund** accounts review for the year ended June 30, 2018.

ECONOMY AND MONEY MARKET OVERVIEW

FY18 has been a rollercoaster ride of contradicting economic indicators with benign inflation and healthy LSM growth positively contributed to the economy, while mounting fiscal pressure, falling FX reserves, and political turmoil created a negative impact on the economy. Upward trending global commodity prices, especially rising crude oil prices, further added to the woes of the local economy.

GDP growth is expected to set at a record 10 years high of ~5.7% supported by a robust industrial and services sector growth. The marked end of power crises along with easing monetary cycle has led to an expansion in LSM growth which is expected to post a growth of ~7% for FY18. Inflation as measured by CPI has averaged ~4.0% owing to adequate supply of commodities and a stable currency during the most part of the year. However, for FY19, we expect CPI to jack up to average of ~7.5% owing to rising commodity prices along with weakness in currency. Furthermore, the weaker currency is also expected to shoot up the core inflation above 8.0%.

External sector has been the Achilles heel as a record high current account deficit along with financial flows by both bilateral and multilateral institutions have caused a scarcity of dollars. Current account deficit soared to USD 18 billion, nearly 5.8% of the GDP raising alarm bells for the economy. As a result of which, foreign exchange reserves of SBP have depleted by USD 6.5 bn during FY18 to USD 9.7 bn, providing a mere import coverage of ~2.0x. By large, Pakistan could be heading towards another IMF program during the second quarter of next fiscal year unless significant flows are generated via the amnesty scheme.

During FY18 State Bank of Pakistan increased Policy Rate by a cumulative 75bps mainly due to ballooning twin deficits, declining real interest rates and rapid increase in imports. In anticipation of an interest rate hike, bond yield curve showed an upward trajectory particularly during the second half of FY18. Pace of widening trade deficit remained alarmingly high which kept on diluting Forex reserves, keeping investors away from longer tenor securities. To extend maturity profile SBP introduced Floater rate 10 year bond with a base rate of 6-month MTB weighted average yield. Healthy participation of PKR 174 billion was witnessed in the very first auction of 10 year Floater bond out of which a total of PKR 20 billion was accepted at a rate of benchmark + 50 bps. Liquidity remained comfortable throughout FY18 owing to regular OMOs conducted by SBP. Scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara SUKUK despite ample liquidity in the market.

EQUITIES MARKET OVERVIEW

Equities turned red after a span of nearly 9 years, as the benchmark index lost ~10% during the year. Both economic and political factors continued to haunt the investors; with the dominant theme prevailing around the external account crisis. Foreigners' in view of weak currency, kept offloading local equities, selling USD 288 mn of stocks which was mainly absorbed by Insurance companies (~USD 204 Mn) and Companies (~USD 100 Mn). Trading volumes during the year averaged around 174 mn shares/ USD 8.15 bn depicting a massive decline of ~49%/47% YoY respectively. Cyclical had the worst year as emerging concerns on the economic growth kept the investors at bay. Cement and Autos were major laggards as they lost ~42% and 30% respectively. Cements declined due to increasing coal prices and imminent supply additions in the sector. While, Autos lost mainly due to a weak local currency along with negative sentiments emanating post budget due to government's announcement of barring non-filers from purchasing vehicles. Power sector shrank by ~20% due to rising circular debt resulting in non-payment of dividends by some companies and shut-down of some FO plants post government orders. E&Ps and Fertilizers were the only major sectors providing positive return, gaining 20% and 3% respectively. Against the market movement, E&Ps posted a considerable gain of ~20% YoY due to surge in average oil prices by 29%. Fertilizer rallied due to improved sector dynamics in the form of comfortable inventory levels and enhanced pricing power of the manufacturers being reflected in increased fertilizer prices post-budget.

FUND PERFORMANCE

During the period under review, the fund delivered a return of -4.06% as against its benchmark return of -7.96%. On the equities front, the overall allocation was 48.8% at the end of the period under review. The fund decreased its exposure in Power Generation & Distribution while increased exposure in Cement, Fertilizer and Oil & Gas Exploration Companies during the period.

On the fixed income side, there was no exposure towards Sukuk at the end of the period under review.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 3,634 million as compared to Rs. 1,485 million as at June 30, 2017 registering an increase of 144.71%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 70.0492 as compared to opening NAV of Rs. 73.0135 per unit as at June 30, 2017 registering a decrease of Rs. 2.9643 per unit.

FUTURE OUTLOOK

For the next year, the economic growth is expected to slightly slow down as a weak currency and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps. Given initial plans of PTI (ruling party) some sense of policy steps can be expected but given the precarious economic conditions, we think immediate term measures to address twin deficits are critical. Fiscal side is also expected to weaken as reckless spending by the government will cause fiscal deficit to cross above 6.0% of GDP. Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy, with 100 bps already increased, which shall result in higher debt servicing cost for the government during the next fiscal year. Along with entry to the IMF program, which will aim to curtail the fiscal deficit, developmental expenditures will be sharply cut during the next year.

On the equity side, post elections, we shall closely monitor the environment to incorporate the new policy guidance as it becomes available. In broader terms, we believe, the last two years market performance (down approx. 20% from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer little downside potential which puts in a lot of comfort for long term investors. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly. Our Top-Down analysis favors sectors that benefit from currency depreciation and higher interest rates; however, we cannot ignore the individual company dynamics along with their prices that can play an important role in security selection.

Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With seven (7) non-executive directors including three (3) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

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

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

- 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, 2018:

1. Meeting of the Audit Committee.

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

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid	9	9	6	3
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	7	2
4. Mr. Mirza Qamar Beg	9	9	7	2

2. Meeting of the Human Resource and Remuneration Committee.

During the year, five (5) meetings of the Human Resource and Remuneration 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. Dr. Syed Salman Shah	5	5	5	-
2. Mr. Nasim Beg	5	5	5	-
3. Mr. Ahmed Jahangir	5	5	5	-
4. Mr. Haroun Rashid	5	5	3	2
5. Mr. Muhammad Saqib Saleem -CEO	5	5	5	-

3. In the meeting held on September 14, 2018, the Risk Committee of the Board was formed consisting of the following members:

- (i) Mr. Mirza Qamar Beg - Chairman
- (ii) Mr. Nasim Beg
- (iii) Mr. Ahmed Jahangir

EXTERNAL AUDITORS

The fund's external auditors, EY Ford Rhodes Chartered Accountants, have retired during the year & A.F.Ferguson & Co. Chartered Accountants have been appointed as an external auditors of the fund for financial year ending June 30, 2019. A.F.Ferguson & Co. Chartered Accountants have also expressed their willingness to act as the fund auditors.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2018

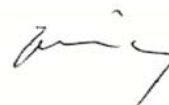
ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
September 14, 2018



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

2. ہیومن ریسورس اینڈ ریمونزیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونزیشن کمیٹی کی پانچ (05) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

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

3۔ ستمبر 14، 2018 کے منعقدہ میٹنگ میں بورڈ کی رسک کمیٹی کا قیام کیا گیا ہے، جس کے اراکین مندرجہ ذیل ہیں:

1	جناب	مرزا قمر بیگ	چیئر مین
2	جناب	نسیم بیگ	
3	جناب	احمد جہانگیر	

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”ای وائے فور ڈیوڈز چارٹرڈ اکاؤنٹنٹس“ دوران سال ریٹائر ہو گئے ہیں اور 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لئے فنڈ کے خارجی آڈیٹرز کے طور پر ”ای وائے فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس“ کی تقرری کی گئی ہے۔ ای وائے فرگوسن اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے بھی فنڈ کے آڈیٹرز کے طور پر کام کرنے کے لئے رضامندی کا اظہار کیا ہے۔

اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

14 ستمبر 2018ء

ڈائریکٹرز رپورٹ

- a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔
- c. مالیاتی گوشواروں کی تیاری میں موزوں اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔
- d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، نان بینکنگ فنانس کمپنیز (اسٹابلشمنٹ اینڈ ریگولیشنز) کے ضوابط، 2003ء، نان بینکنگ فنانس اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔
- f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔
- g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔
- h. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) لمحہ آؤٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔
- i. پراویڈنٹ / گریجویٹ فنڈ اور پینشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔
- j. تمام ڈائریکٹرز ”ڈائریکٹرز ٹریننگ پروگرام“ مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر تربیتی کورس میں شرکت سے مستثنیٰ ہیں۔
- k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔
- l. بورڈ آف ڈائریکٹرز کی مینٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی مینٹنگز کی تفصیلات درج ذیل ہیں:

1. آؤٹ کمیٹی کی مینٹنگ

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

مینٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ مینٹنگز کی تعداد	
3	6	9	9	1. جناب ہارون رشید
-	9	9	9	2. جناب احمد جہانگیر
2	7	9	9	3. جناب نسیم بیگ
2	7	9	9	4. مرزا محمد قمر بیگ

مستقبل کا منظر

اگلے سال معاشی ترقی میں کچھ سست رفتاری متوقع ہے کیونکہ کھپت کے رجحان پر کمزور روپیہ اور تنگ مالیاتی پالیسی کا راج رہے گا۔ تاہم زیادہ بجلی کی فراہمی کے ساتھ ساتھ معیشت کی دستاویزی کی بدولت اس اہم موڑ پر معاشی منتظمین کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیش نظر ہم بہتر طرز حکومت اور معاشی بحالی کے طویل المیعاد امکانات کے حوالے سے پُر امید ہیں، تاہم راستہ دشوار اور پالیسی میں متعدد ناپسندیدہ اقدامات سے پُر ہو سکتا ہے۔ پاکستان تحریک انصاف (حکمران جماعت) کے ابتدائی منصوبوں کی روشنی میں بہتر پالیسی اقدامات کی توقع کی جاسکتی ہے، لیکن خطرناک معاشی حالات کے پیش نظر ہم سمجھتے ہیں کہ فوری میعاد والے اقدامات بے حد ضروری ہیں تاکہ جڑواں خساروں پر توجہ دی جاسکے۔ مالیاتی جہت میں بھی ضعف متوقع ہے کیونکہ حکومت کے بے دریغ خرچ کے باعث مالیاتی خسارہ مجموعی ملکی پیداوار (GDP) کے 6.0% سے تجاوز کر جائے گا۔ خارجی رُخ پر متعدد دباؤ کے ساتھ ساتھ افراط زر میں اضافے کے پیش نظر اسٹیٹ بینک کی جانب سے مالیاتی پالیسی میں مزید سختی متوقع ہے، جبکہ 100 bps اضافہ پہلے ہی ہو چکا ہے، جس کے نتیجے میں حکومت کے لیے اگلے مالی سال کے دوران قرضوں کی واپسی کی لاگت میں اضافہ ہو جائے گا۔ آئی ایم ایف پروگرام میں داخلے کے ساتھ ساتھ، جس کا مقصد مالیاتی خسارے میں کمی ہوگا، ترقیاتی اخراجات میں بھی اگلے سال تیزی سے کمی کی جائے گی۔ ایکویٹی کی جہت پر انتخابات کے بعد ہم ماحول کی باریک بینی سے نگرانی کریں گے تاکہ پالیسی کے حوالے سے نئی راہنمائی کے دستیاب ہوتے ہی اس پر عملدرآمد کر سکیں۔ وسیع تر تناظر میں ہم سمجھتے ہیں کہ مارکیٹ کی گزشتہ دو برسوں کی کارکردگی (اوپنچی ترین سطح سے تقریباً 20% کم) سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوئی ہے، اور دورانی اسٹاکس کی کارکردگی کی بھی عکاسی ہوئی ہے جہاں اسٹاکس کی قیمتوں میں تصحیح مزید تیز ہے۔ ہم اپنے موقف پر قائم ہیں کہ موجودہ سطحوں پر کمی کی محدود استعداد ہے جس کی بدولت طویل المیعاد سرمایہ کاروں کو خاطر خواہ سہولت فراہم ہوتی ہے۔ ہم سمجھتے ہیں کہ اسٹاکس میں ترقی بتدریج ظاہر ہوگی جب اعتماد بحال ہوگا اور معاشی پالیسیاں حالات کو توقعات کے مطابق ڈھالیں گی۔ چنانچہ آگے بڑھتے ہوئے اسٹاکس طویل المیعاد سرمایہ کاری کا موقع فراہم کرتے ہیں جس میں صبر کے ساتھ چلنے والے سرمایہ کاروں کے لیے منافع ہوگا۔ ہم بدستور ملک کی معاشی علامات کے رجحانات پر نظر رکھ کر ان کے مطابق اپنے دائرہ کار میں تبدیلیاں لا رہے ہیں۔ ہمارا Top-Down تجزیہ روپے کی قدر میں کمی اور انٹریسٹ کی بلند شرحوں سے مستفید ہونے والے شعبوں کی حمایت کرتا ہے؛ تاہم، ہم کمپنی کے انفرادی عناصر اور ان کی قیمتوں کو نظر انداز نہیں کر سکتے جن سے سیکورٹی کے انتخاب میں اہم کردار ادا ہو سکتا ہے۔

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ سات (7) نان ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹرز پر مشتمل بورڈ مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے عہدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہ اخلاق کی بہترین طریقوں سے متعلق شقوں کی، خاص طور پر نان ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے، بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے لیے پُر عزم ہے جن میں بورڈ آف ڈائریکٹرز اور مینجمنٹ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔ ذیل میں کارپوریٹ گورننس کے ضابطہ اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

ایکویٹیز مارکیٹ کا مجموعی جائزہ

ایکویٹیز تقریباً 9 سال کے عرصے کے بعد خطرے کی حدود میں آگئیں کیونکہ انڈیکس کے مقررہ معیار میں دوران سال 10% کمی ہوئی۔ معاشی اور سیاسی، دونوں عوامل نے سرمایہ کاروں کو پریشان کیے رکھا جن میں اہم ترین موضوع خارجی اکاؤنٹ کا بحران تھا۔ کمزور روپے کے پیش نظر غیر ملکی سرمایہ کار مقامی ایکویٹیز سے دستبردار ہوتے رہے، اور 288 ملین ڈالر مالیت کے اسٹاکس فروخت کیے جن کا زیادہ تر اثرا نشورنس کمپنیوں (204 ملین ڈالر) اور کمپنیوں (100 ملین ڈالر) نے قبول کیا۔ دوران سال تجارتی حجم کا اوسط تقریباً 174 ملین حصص / 8.15 بلین ڈالر تھا، جو بالترتیب 49% / 47% YoY کی بڑی کمی تھی۔

Cyclicals کے لیے یہ بدترین سال تھا کیونکہ معاشی ترقی کے حوالے سے بڑھتے ہوئے خدشات کے باعث سرمایہ کاروں کی حوصلہ شکنی ہوئی۔ سیمنٹ اور آٹوز بالترتیب 42% اور 30% کمی کے باعث پسماندہ ترین شعبے تھے۔ سیمنٹ کے شعبے میں پسماندگی کی وجہ کوئلے کی بڑھتی ہوئی قیمتیں اور فراہمیوں میں اضافہ ہے، جبکہ آٹوز میں پسماندگی کے بنیادی عوامل کمزور روپیہ، اور بجٹ کے بعد ٹیکس ریٹرن فائل نہ کرنے والوں کے لیے گاڑیوں کی خریداری پر پابندی کے حکومتی اعلان سے پیدا ہونے والے منفی جذبات ہیں۔

بجلی کے شعبے میں 20% کمی ہوئی جس کا سبب یہ تھا کہ گزشتہ قرضوں میں اضافے کی وجہ سے کچھ کمپنیوں نے ڈیویڈنڈ کی ادائیگی نہیں کی اور حکومتی احکام کے بعد کچھ FO پلانٹس بند کر دیئے گئے۔ صرف E&Ps اور فریٹلائزرز کے شعبوں میں بالترتیب 20% اور 3% ترقی ہوئی۔ E&Ps نے مارکیٹ کی صورتحال کے برخلاف 20% YoY منافع دیا جس کی وجہ تیل کی اوسط قیمتوں میں 29% اضافہ ہے۔ فریٹلائزرز میں ترقی کا سبب اس شعبے کے عوامل میں بہتری ہے، اور اس کے اسباب یہ ہیں کہ انوینٹری باسہولت سطحوں پر رہی، اور مینوفیکچررز کے قیمتیں طے کرنے کے اختیار میں اضافہ ہوا جس کی عکاسی بجٹ کے بعد فریٹلائزرز کی قیمتوں میں اضافے سے ہوئی۔

فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.06% تھا جبکہ مقررہ معیار 7.96% - تھا۔ ایکویٹیز کے رُخ پر زیر جائزہ مدت کے اختتام پر مجموعی اختصاص 48.8% تھا۔ دوران مدت فنڈ کی پاور جزییشن اینڈ ڈسٹری بیوشن میں شمولیت کو کم کیا گیا جبکہ سیمنٹ، فریٹلائزرز اور آئل اینڈ گیس ایکسپلوریشن کمپنیوں میں شمولیت میں اضافہ کیا گیا۔ مقررہ آمدنی کی جہت میں زیر جائزہ مدت کے اختتام پر سلگ میں کوئی شمولیت نہیں تھی۔

30 جون 2018ء کو فنڈ کے net اثاثہ جات 3,634 ملین روپے تھے، جو 30 جون 2017ء کو 1,485 ملین روپے کے مقابلے میں 144.71% اضافہ ہے۔

30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 70.0492 روپے تھی، جو 30 جون 2017ء کو 73.0135 روپے ابتدائی NAV کے مقابلے میں 2.9643 روپے فی یونٹ کمی ہے۔

بورڈ آف ڈائریکٹرز کی جانب سے الحمد للہ اسلامک Asset ایکویٹیشن فنڈ کے 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

معیشت اور بازار کا جائزہ

مالی سال 2018ء متضاد معاشی علامات کے مدوجزر سے بھرپور رہا۔ مفید افراط زر اور LSM کی خاطر خواہ ترقی نے معیشت میں مثبت کردار ادا کیا جبکہ بڑھتے ہوئے مالیاتی دباؤ، غیر ملکی زرمبادلہ کے گھٹتے ہوئے ذخائر اور سیاسی ہلچل نے منفی اثرات مرتب کیے۔ عالمی اشیاء، خصوصاً خام تیل، کی بڑھتی ہوئی قیمتوں نے ملکی معیشت کے مسائل میں مزید اضافہ کیا۔

مجموعی ملکی پیداوار (GDP) میں 5.7% ترقی متوقع ہے جو گزشتہ دہائی کی سب سے اونچی سطح ہے، اور اس میں صنعتی اور خدمات کے شعبے کی بھرپور ترقی کی معاونت شامل ہے۔ بجلی کے بحران کے خاتمے اور مالیاتی چکر میں نرمی کے نتیجے میں LSM کی ترقی میں وسعت ہوئی ہے جو مالی سال 2018ء میں 7% متوقع ہے۔ CPI کی صورت میں پیمائش کردہ افراط زر کا اوسط 4.0% ہے جو سال کے اکثر حصے کے دوران اشیاء کی خاطر خواہ فراہمی اور مستحکم روپے کی بدولت ہے۔ تاہم مالی سال 2019ء کے لیے توقع ہے کہ اشیاء کی بڑھتی ہوئی قیمتوں اور روپے میں ضعف کے باعث CPI بڑھ کر 7.5% اوسط تک پہنچ جائے گا۔ مزید برآں، کمزور روپیہ متوقع طور پر افراط زر کو 8.0% سے اونچی سطح پر لے جائے گا۔

خارجی شعبہ نازک مقام رہا کیونکہ کرنٹ اکاؤنٹ کے اب تک کے سب سے زیادہ خسارے کے ساتھ ساتھ دو جہتی اور کثیر الجہتی، دونوں قسم کے اداروں کی جانب سے مالیاتی آمدورفت کے باعث ڈالر میں قلت ہو گئی ہے۔ کرنٹ اکاؤنٹ کا خسارہ 18 بلین ڈالر تک پہنچ گیا، یعنی GDP کا تقریباً 5.8%، جو معیشت کے لیے خطرے کی گھنٹی ہے۔ اس کے نتیجے میں مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر 6.5 بلین ڈالر کم ہو کر 9.7 بلین ڈالر رہ گئے، جس سے صرف 2.0x درآمداتی تلافی فراہم ہوئی۔ مجموعی طور پر اگلے مالی سال کی دوسری سہ ماہی کے دوران پاکستان ایک اور IMF پروگرام کے رُخ پر گامزن ہو سکتا ہے، سوائے اس کے کہ ایم اینسٹی اسکیم کے ذریعے خاطر خواہ آمدورفت پیدا کی جائے۔

مالی سال 2018ء کے دوران اسٹیٹ بینک آف پاکستان نے پالیسی شرح میں مجموعی طور پر 75 bps اضافہ کیا جس کی بنیادی وجہ بڑھتے ہوئے جڑواں خسارے، ریئل انٹریسٹ کی گھٹتی ہوئی شرحیں، اور تیزی سے بڑھتی ہوئی درآمدات ہیں۔ انٹریسٹ کی شرحوں میں تیز رفتار اضافے کے امکانات کے باعث بانڈ کی آمدنی کا خم اوپر کی طرف گیا، خصوصاً مالی سال 2018ء کی دوسری سہ ماہی کے دوران۔ تجارتی خسارے میں اضافے کی رفتار خوفناک حد تک تیز رہی جس کے باعث غیر ملکی زرمبادلہ کے ذخائر متاثر ہوئے اور سرمایہ کاروں نے طویل المیعاد سیکورٹیز میں دلچسپی کا اظہار نہیں کیا۔ میچورٹی کے دائرہ کار میں توسیع کے لیے اسٹیٹ بینک نے فلوٹر ریٹ 10 سالہ بانڈ متعارف کرایا جس کا base ریٹ 6 ماہ ایم ٹی بی weighted اوسط منافع ہے۔ 10 سالہ فلوٹر بانڈ کی سب سے پہلی نیلامی میں 174 بلین روپے کی بھرپور شرکت دیکھی گئی جس میں سے 20 بلین روپے پنچ مارک + 50 bps کی شرح پر قبول کر لیے گئے۔ مالی سال 2018ء کے دوران اسٹیٹ بینک کی جانب سے باقاعدگی کے ساتھ OMOs کے انعقاد کی بدولت نقدیت میں سہولت رہی، زیر جائزہ مدت میں شریعت سے ہم آہنگ مواقع کی قلت رہی کیونکہ مارکیٹ میں خاطر خواہ نقدیت کے باوجود تازہ اجارہ سلگ کا اجراء نہیں کیا گیا۔

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2018

Fund Type and Category

Alhamra Islamic Asset Allocation Fund (ALHAA) is an Open-End Shariah Compliant Asset Allocation Scheme.

Fund Benchmark

The benchmark for ALHAA is KMI-30 Index and Six (6) months average deposit rates of three (3) A rated scheduled Islamic Banks or Islamic Windows of Conventional Banks as selected by MUFAP on the basis of actual proportion held by the Scheme.

Investment Objective

The objective of the fund is to provide medium to long term capital appreciation through investing in Shariah compliant investments in Pakistan and Internationally.

Investment Strategy

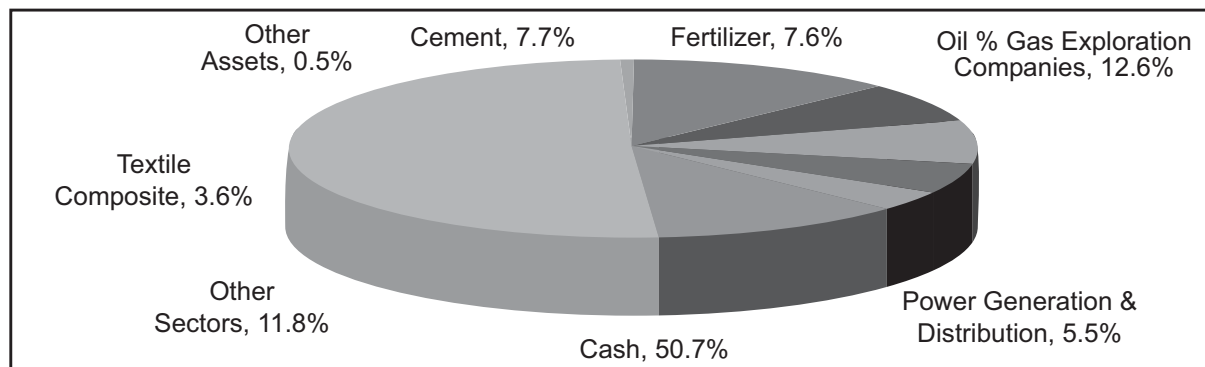
Alhamra Islamic Asset Allocation Fund (ALHAA) is an open-end asset allocation fund which seeks to achieve its objective through investing in a portfolio of Shariah compliant investments diversified across the capital markets of Pakistan as well as keeping a limited exposure internationally. The Fund is managed through an active management strategy with dynamic allocation towards different asset classes. The investment process is driven by fundamental research. The domestic portfolio of the Fund primarily invests in fundamentally strong Shariah compliant equities, high quality Sukuks and other Shariah compliant instruments. For equities, fundamental outlook of sectors/companies and DCF (Discounted Cash Flow) valuations are the primary factors in sectors' allocation and stock selection. Major portion of the Fund's portfolio is high quality liquid stocks.

Manager's Review

During the period under review, the fund delivered a return of -4.06% as against its benchmark return of -7.96%.

On the equities front, the overall allocation was 48.8% at the end of the period under review. The fund increased its exposure in Fertilizer, Oil & Gas Exploration Companies and Cement during the period.

The Net Assets of the Fund as at June 30, 2018 stood at Rs. 3,634 million as compared to Rs. 1,485 million as at June 30, 2017 registering an increase of 144.71%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 70.0492 as compared to opening NAV of Rs. 73.0135 per unit as at June 30, 2017 registering a decrease of Rs. 2.9643 per unit.



Awais Abdul Sattar, CFA
Fund Manager

Karachi: September 14, 2018

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) 34326020 - 23
URL: www.cdcpakistan.com
Email: info@cdcpak.com



TRUSTEE REPORT TO THE UNIT HOLDERS

ALHAMRA ISLAMIC ASSET ALLOCATION 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 Asset Allocation 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, 2018 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.

Aftab Ahmed Diwan
Chief Executive Officer
Central Depository Company of Pakistan Limited

Karachi: September 19, 2018



REPORT OF THE SHARIAH ADVISORY BOARD

REPORT OF THE SHARIAH ADVISORY BOARD

Alhamdulillah, We the Shariah Advisory Board of the Alhamra Islamic Asset Allocation Fund (the Fund), are issuing this report in accordance with the Offering document of 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 ALHAA in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of ALHAA 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 ALHAA for the period from July 01, 2017 to June 30, 2018 have been in compliance with Shariah principles.

During the year an amount of Rupees 939,247.20 was transferred to charity account. The total amount of charity payable as at 30 June 2018 amounts to Rs. 939,247.20.

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.

Karachi: September 14, 2018

Dr Ejaz Samdani

For and on behalf of Shariah Advisory Board

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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

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

INDEPENDENT AUDITORS' REPORT

To the Unit holders of ALHAMRA ISLAMIC ASSET ALLOCATION FUND

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of **Alhamra Islamic Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2018**, and 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 30 June 2018, 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the key audit matters:

Key audit matter	How our audit addressed the key audit matter
1. Existence and valuation of equity investments	
As disclosed in note 6 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the investments held by the Fund comprised of listed shares which represent 49% of the total assets of the Fund as at the year end.	We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedure included the following: - We tested controls over acquisition, disposals and periodic valuation of investments portfolio.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



Key audit matter	How our audit addressed the key audit matter
In view of the significance of investment in relation to the total assets and the Net Asset Value (NAV) of the Fund, we have considered the existence and valuation of such investments as a key audit matter.	<ul style="list-style-type: none"> - We performed substantive audit procedures on year-end balance of portfolio including review custodian's statement, and related reconciliations, re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange as at 30 June 2018. - We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the adequacy of disclosures as may be applicable in situations of non-compliance. - We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and whether the Fund's disclosures in relation to the valuation of investments are compliant with the relevant accounting requirements.
2. Amendment to the NBFC Regulations, 2008	
As disclosed in note 4.1 to the accompanying financial statements of the Fund for the year ended 30 June 2018, the Securities and Exchange Commission of Pakistan through its SRO no. 756(I)/2017 dated 03 August 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulation, 2008 (the NBFC Regulations).	We assessed the appropriateness of the recognition, measurement and presentation of "element of income / loss" in accordance with the amended provisions of the NBFC Regulations. We also considered the guidelines issued by MUFAP in respect of the accounting for element of income / loss as per the revised Regulations and assessed its implementation by the Fund.
These amendments are considered significant to our audit because application of the said amendments resulted in change in accounting policy relating to presentation "element of income / loss" in the financial statements and certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' (the Statements).	We evaluated the adequacy of disclosures regarding the change in accounting policy with respect to element of income / loss in accordance with the requirements of the relevant financial reporting standards and the guidance issued by MUFAP in relation thereto.

Other Information

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

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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 for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



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

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

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

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

Chartered Accountants

Date: 14 September 2018

Karachi

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STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
ASSETS			
Balances with banks	5	1,892,537	846,966
Investments	6	1,819,611	652,922
Dividend, profit and other receivables	7	10,681	6,214
Advances, deposits and prepayments	8	3,245	4,302
Total assets		3,726,074	1,510,404
LIABILITIES			
Payable to the Management Company	9	14,056	5,443
Payable to the Trustee	10	420	233
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	11	2,369	1,122
Payable against purchase of investments		57,694	-
Accrued and other liabilities	12	17,998	18,348
Total liabilities		92,537	25,146
NET ASSETS		3,633,537	1,485,258
Unit holders' fund (as per statement attached)		3,633,537	1,485,258
Contingencies and commitments	13		
NUMBER OF UNITS IN ISSUE			
		51,871,228	20,342,240
NET ASSETS VALUE PER UNIT			
		70.0492	73.0135

The annexed notes from 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

		June 30, 2018	June 30, 2017
	Note	----- (Rupees in '000) -----	
INCOME			
Profit on bank deposits		79,140	15,021
Net gain on sale of investments		3,566	221,411
Net unrealised (loss) / gain on revaluation of investments classified as:			
'at fair value through profit or loss - held-for-trading'		(124,351)	9,694
Dividend income on investments classified as:			
'at fair value through profit or loss - held-for-trading'		48,662	12,478
'available-for-sale'		8,177	27,446
Impairment loss on investment in equity securities classified as 'available-for-sale'		(9,275)	-
Income from sukuk certificates		34	32
Income on term deposit musharika (TDM)		2,427	-
Reversal of Provision for Workers' Welfare Fund (WWF)	12.1	-	8,527
Total income		8,380	294,609
EXPENSES			
Remuneration of the Management Company	9.1	(49,881)	(23,220)
Sales tax on remuneration of the Management Company	9.2	(6,485)	(3,015)
Expenses allocated by the Management Company and related taxes	9.3	(2,818)	(1,337)
Selling and marketing expenses	9.4	(9,976)	(1,593)
Remuneration of the Trustee	10.1	(3,494)	(2,171)
Sales tax on remuneration of the Trustee	10.2	(454)	(264)
Annual fee to SECP	11	(2,369)	(1,122)
Auditors' remuneration	14	(511)	(702)
Brokerage, settlement and bank charges		(6,852)	(5,707)
Fees and subscription		(639)	(191)
Legal and professional charges		(143)	(72)
Shariah advisory fee		(900)	(900)
Printing and related costs		(112)	(143)
Donation / charity		(939)	(626)
Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	-	(6,508)
Total expenses		(85,573)	(47,571)
Net (loss) / income for the year from operating activities		(77,193)	247,038
Net element of income and capital gains included in prices of units issued less those in units redeemed		-	71,861
Net (loss) / income for the year before taxation		(77,193)	318,899
Taxation	15	-	-
Net (loss) / income for the year after taxation		(77,193)	318,899
<i>Allocation of net (loss) / income for the year:</i>			
Net loss for the year after taxation		-	-
Income already paid on units redeemed		-	-
		-	-
<i>Accounting loss available for distribution:</i>			
- Relating to capital gains		-	-
- Excluding capital gains		-	-

The annexed notes from 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017 -----
Net (loss) / income for the year after taxation	(77,193)	318,899
Other comprehensive (loss) / income for the year:		
To be reclassified to income statement in subsequent periods:		
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	(15,144)	(11,780)
Total comprehensive (loss) / income for the year	<u>(92,337)</u>	<u>307,119</u>

The annexed notes from 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018			June 30, 2017	
	Capital value	Undistributed income / (loss)	Unrealised appreciation / (diminution) on 'available-for-sale' (Rupees in '000)	Total	Total
Net assets at beginning of the year	1,272,574	175,020	37,664	1,485,258	820,509
Issuance of 44,764,312 (2017: 19,133,229) units					
- Capital value (at net assets value per unit at beginning of the year)	3,268,399	-	-	3,268,399	-
- Element of loss	(90,700)	-	-	(90,700)	-
	3,177,699	-	-	3,177,699	1,436,268
Redemption of 13,235,324 (2017: 11,707,660) units					
- Capital value (at net assets value per unit at beginning of the year)	966,357	-	-	966,357	-
- Element of loss	(29,274)	-	-	(29,274)	-
	937,083	-	-	937,083	867,420
Net element of income and capital gains included in prices of units issued less those in units redeemed	-	-	-	-	(71,861)
Total comprehensive loss for the year	-	(77,193)	(15,144)	(92,337)	307,119
Distribution during the year	-	-	-	-	(139,357)
Net loss for the period less distribution	-	(77,193)	(15,144)	(92,337)	167,762
Net assets at end of the year	3,513,190	97,827	22,520	3,633,537	1,485,258
Undistributed income brought forward					
- Realised		165,326			121,075
- Unrealised		9,694			109
		175,020			121,184
Accounting income available for distribution:					
- Relating to capital losses		-			-
- Excluding capital losses		-			-
Net loss / income for the year after taxation		(77,193)			318,899
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised loss		-			(125,706)
Distribution during the year		-			(139,357)
Undistributed loss carried forward		97,827			175,020
Undistributed loss carried forward					
- Realised		97,827			165,326
- Unrealised		-			9,694
		97,827			175,020
Net assets value per unit at beginning of the year				73.0135	63.5232
Net assets value per unit at end of the year				70.0492	73.0135

The annexed notes from 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017 -----
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) / income for the year before taxation	(77,193)	318,899
Adjustments for:		
Net unrealised loss / (gain) on revaluation of investments classified as:		
'at fair value through profit or loss - held-for-trading'	124,351	(9,694)
Impairment loss on investment in equity securities classified as 'available-for-sale'	9,275	-
Net element of income and capital gains included in prices		
of units issued less those in units redeemed	-	(71,861)
Dividend income on investments classified as:		
- 'at fair value through profit or loss - held-for-trading'	(48,662)	(12,478)
- 'available-for-sale'	(8,177)	(27,446)
Reversal of Provision for Workers' Welfare Fund (WWF)	-	(8,527)
Provision for Sindh Workers' Welfare Fund (SWWF)	-	6,508
	(406)	195,401
(Increase) / decrease in assets		
Receivable against sale of investments	-	7,540
Investments	(1,315,459)	41,676
Profit and other receivables	(7,624)	(2,582)
Advances, deposits and prepayments	1,057	(1,097)
	(1,322,026)	45,537
Increase / (decrease) in liabilities		
Payable to the Management Company	8,613	3,096
Payable to the Trustee	187	73
Annual fee payable to SECP	1,247	341
Payable against purchase of investments	57,694	-
Accrued and other liabilities	(350)	(1,496)
	67,391	2,014
Dividend received	59,996	38,612
Net cash (used in) / generated from operating activities	(1,195,045)	281,564
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	3,177,699	1,438,283
Payments on redemption of units	(937,083)	(867,420)
Dividend paid	-	(139,357)
Net cash generated from financing activities	2,240,616	431,506
Net increase in cash and cash equivalents during the year	1,045,571	713,070
Cash and cash equivalents at beginning of the year	846,966	133,896
Cash and cash equivalents at end of the year	1,892,537	846,966

The annexed notes from 1 to 23 form an integral part of these financial statements.

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



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Alhamra Islamic Asset Allocation Fund (formerly: Pakistan International Element Islamic Asset Allocation Fund) (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company, "AHIL") as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on December 14, 2005 and was approved by the Securities and Exchange Commission of Pakistan (SECP) under the Non-Banking Finance Companies (Establishment and Regulation) 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 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.3 Pursuant to the merger of MCB-Asset Management Company and Arif Habib Investments Limited, the name of the Management Company (Arif Habib Investments Limited being the surviving entity) has been changed from Arif Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.4 The Fund is an open-ended mutual fund and is listed on the Pakistan Stock Exchange Limited. The principal activity of the Fund is to make investment in shariah compliant investments in securities or instruments both inside and outside Pakistan. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as "Shariah compliant Asset Allocation" scheme by the Board of Directors of the Asset Management Company in pursuant to Circular 7 of 2009 dated March 06, 2009 issued by the SECP.
- 1.5 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated December 28, 2017 to the Management Company and has assigned performance ranking of 4-Star dated May 24, 2018 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.

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. Such standards comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standard Board (IASB) as notified under the Companies act 2017 (the Act);
 - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984;
 - The NBFC rules, the Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of Trust Deed.

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

2.2 New / Revised Standards, Interpretations and Amendments

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

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes – Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IFRS 9 – Financial Instruments	July 01, 2018
IFRS 9 – Prepayment Features with Negative Compensation - (Amendments)	January 01, 2019
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IFRS 15 – Revenue from Contracts with Customers	July 01, 2018
IFRS 16 – Leases	January 01, 2019
IAS 19 - Plan Amendment, Curtailment or Settlement (Amendments)	January 01, 2019
IAS 28 - Long-term Interests in Associates and Joint Ventures – (Amendments)	January 01, 2019
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application. However, the Fund is currently evaluating the requirements of IFRS-9 and potential impact on the financial statements of the Fund.

In addition to the above standards and amendments, improvements to various accounting standards have also been issued by the IASB in December 2016 and December 2017. Such improvements are generally effective for accounting periods beginning on or after 01 January 2018 and 01 January 2019 respectively. The Fund expects that such improvements to the standards will not have any impact on the Fund's financial statements in the period of initial application.

The IASB has also issued the revised Conceptual Framework for Financial Reporting (the Conceptual Framework) in March 2018 which is effective for annual periods beginning on or after 1 January 2020 for preparers of financial statements who develop accounting policies based on the Conceptual Framework. The revised Conceptual Framework is not a standard, and none of the concepts override those in any standard or any requirements in a standard. The purpose of the Conceptual Framework is to assist IASB in developing standards, to help preparers develop consistent accounting policies if there is no applicable standard in place and to assist all parties to understand and interpret the standards.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 17 - Insurance Contracts	January 01, 2021

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

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

Judgments made by management in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment are explained in notes 4.1 and 4.5 respectively.

3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these financial statements are consistent with those of the previous financial years except as described in note 2.2 and 4.1.

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

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, 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 Regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be 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 will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. MUFAP, in consultation with the SECP, has specified the methodology of determination of income paid on units redeemed during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. Furthermore, the revised Regulations also require certain additional disclosures with respect to 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised Regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative year has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of income been recognised as per the previous accounting policy, the loss of the Fund would have been higher by Rs.52.55 million. However, the change in accounting policy does not have any impact on the 'cash flow statement', the 'net assets attributable to the unit holders' and 'net assets value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', which have been incorporated in these statements.

4.2 Financial assets

The Fund classifies its financial assets in following categories:

- at fair value through profit or loss;
- available-for-sale investments; and
- loans and receivables.

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

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

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

b) Financial assets classified as 'available-for-sale'

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

c) Loans and receivables

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

4.3 Regular way contracts

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

4.4 Initial recognition and measurement

a) Financial assets 'at fair value through profit or loss'

These investments are initially recognized at fair value. Transaction costs are recognized as expense in the Income Statement.

b) Available-for-sale and loans and receivables

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

4.5 Subsequent measurement

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

a) **Equity Securities**

The investment of the Fund in equity securities is valued on the basis of quoted market prices available at the stock exchange.

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the difference in value determined in accordance with the above mentioned criteria compared to the carrying amount in respect of available-for-sale financial assets are recognized in other comprehensive income until the available-for-sale financial assets are derecognized. At this time, the cumulative gain or loss previously recognized directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

b) **Government Securities**

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

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

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

c) **Loans and receivables**

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

4.6 **Impairment**

The carrying amounts of the Fund's assets are assessed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognized immediately as an expense in the income statement. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in other comprehensive income is removed from equity and recognized in the income statement. Impairment losses recognized on equity financial assets recognized in the income statement are not reversed through the income statement. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

4.7 **Derivatives**

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

4.8 **Derecognition**

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

4.9 **Reclassification**

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held-for-trading' category to the 'available-for-sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

4.10 Financial liabilities

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

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

4.11 Offsetting of financial assets and liabilities

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

4.12 Issuance 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, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Unit Holder's transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption request 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, charges on redemption and any provision for transaction costs, if applicable.

4.13 Proposed distributions

Distributions declared subsequent to the statement of asset and liabilities date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are declared.

4.14 Provisions

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

4.15 Earnings per unit

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

4.16 Taxation

The Fund's income is exempt from income tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income 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.

4.17 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / (losses) arising on mark to market of investments classified as 'financial assets at fair value through profit or loss - held-for-trading' are included in the income statement in the period in which they arise.
- Dividend income is recognized when the right to receive the payment is established.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- Profit on bank deposits is recognized on an accrual basis.
- Return on investments is recognized on an accrual basis.

4.18 Expenses

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

4.19 Cash and cash equivalents

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

4.20 Other assets

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

4.21 Foreign currency translation

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

4.22 Net assets value per unit

The net assets 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.

	June 30, 2018	June 30, 2017
Note	----- (Rupees in '000) -----	
5. BALANCES WITH BANKS		
In current accounts	10,384	54,537
In deposit accounts	5.1 <u>1,882,153</u>	792,429
	5.2 <u>1,892,537</u>	<u>846,966</u>
5.1	These carry profit at the rates ranging from 5.25% to 6.5% (2017: 5.25% to 5.65%) per annum.	
5.2	These include a balance of Rs.6.48 (2017: Rs.50.44) million held with MCB Bank Limited and Rs.0.24 (2017: Rs.nil) million with MCB Islamic Bank Limited (related parties).	
6. INVESTMENTS		
Investments by Category		
At fair value through profit or loss - held-for-trading		
Listed equity securities	6.1 <u>1,682,283</u>	456,501
	<u>1,682,283</u>	456,501
Available-for-sale		
Listed equity securities	6.2 <u>137,328</u>	196,421
	<u>1,819,611</u>	<u>652,922</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

6.1 Listed equity securities - 'at fair value through profit or loss - held-for-trading'

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

Name of the investee company	Number of shares				Balance as at June 30, 2018			Market value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company	
	As at July 01, 2017	Purchased during the year	Right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of total investments		As a percentage of net assets
(Rupees in '000)											
Automobile assembler											
Ghandhara Industries Limited	15,000	3,700	-	18,700	-	-	-	-	0.00%	0.00%	0.00%
Honda Atlas Cars (Pakistan) Limited	26,000	-	-	26,000	-	-	-	-	0.00%	0.00%	0.00%
Millat Tractors Limited	-	50,000	-	-	50,000	67,500	59,403	(8,097)	3.27%	1.64%	0.23%
						67,500	59,403	(8,097)	3.27%	1.64%	0.23%
Cable and electrical goods											
Pak Elektron Limited	400,000	1,340,000	-	1,240,000	500,000	17,830	17,730	(100)	0.97%	0.49%	0.10%
						17,830	17,730	(100)	0.97%	0.49%	0.10%
Cement											
Lucky Cement Limited***	36,950	406,450	-	186,500	256,900	171,747	130,487	(41,260)	7.17%	3.59%	0.08%
Kohat Cement Company Limited	94,000	-	-	31,400	62,600	14,352	7,704	(6,648)	0.42%	0.21%	0.04%
Fauji Cement Company Limited	25,500	2,100,000	-	1,660,000	465,500	12,244	10,637	(1,607)	0.58%	0.29%	0.03%
Maple Leaf Cement Factory Limited	-	1,300,000	-	75,000	1,225,000	83,372	62,157	(21,215)	3.42%	1.71%	0.21%
Cherat Cement Company Limited	-	100,000	-	50,000	50,000	6,614	4,862	(1,752)	0.27%	0.13%	0.03%
D.G. Khan Cement Company Limited - a related party	-	2,405,300	-	1,782,300	623,000	70,136	71,327	1,191	3.92%	1.96%	0.14%
Pioneer Cement Limited	-	17,000	-	17,000	-	-	-	-	0.00%	0.00%	0.00%
						358,465	287,174	(71,291)	15.79%	7.89%	0.53%
Chemical											
Engro Polymer & Chemicals Limited	752,500	3,770,500	-	1,692,500	2,830,500	92,222	88,764	(3,458)	4.88%	2.44%	0.43%
Engro Polymer & Chemicals Limited (right)	-	-	440,248	-	440,248	-	3,883	3,883	0.21%	0.11%	0.18%
Lotte Chemical Pakistan Limited	-	201,000	-	-	201,000	2,325	2,404	79	0.13%	0.07%	0.01%
						94,547	95,051	504	5.22%	2.62%	0.62%
Commercial banks											
Meezan Bank Limited	23,500	29,410	-	52,900	10	1	1	-	0.00%	0.00%	0.00%
						1	1	-	0.00%	0.00%	0.00%
Engineering											
Crescent Steel & Allied Products Limited	48,700	15,400	-	64,100	-	-	-	-	0.00%	0.00%	0.00%
International Industries Limited	120,000	118,500	-	81,900	156,600	50,109	36,377	(13,732)	2.00%	1.00%	0.13%
International Steels Limited	104,000	130,700	-	234,700	-	-	-	-	0.00%	0.00%	0.00%
Ittefaq Iron Industries Limited	-	125,000	-	125,000	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron and Steel Industries - a related party	-	314,500	-	314,500	-	-	-	-	0.00%	0.00%	0.00%
						50,109	36,377	(13,732)	2.00%	1.00%	0.13%
Glass and ceramics											
Shabbir Tiles & Ceramics Limited**	677,500	-	-	677,500	-	-	-	-	0.00%	0.00%	0.00%
Tariq Glass Industries Limited	141,500	-	-	141,500	-	-	-	-	0.00%	0.00%	0.00%
						-	-	-	0.00%	0.00%	0.00%
Leather and tanneries											
Service Industries Limited	10,000	12,000	-	-	22,000	23,876	17,270	(6,606)	0.95%	0.48%	0.18%
						23,876	17,270	(6,606)	0.95%	0.48%	0.18%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Name of the investee company	Number of shares				Balance as at June 30, 2018			Market value		
	As at July 01, 2017	Purchased during the year	Right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	Unrealised (loss) / gain	As a percentage of total investments	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
Fertilizer										
Engro Corporation Limited	90,000	771,000	-	477,000	384,000	104,759	120,522	15,763	6.62%	3.32%
Dawood Hercules Corporation Limited	45,400	-	-	-	45,400	6,191	5,029	(1,162)	0.28%	0.14%
Fatima Fertilizer Company Limited	254,000	400,000	-	254,000	400,000	12,500	12,960	460	0.71%	0.36%
- a related party	-	2,165,000	-	430,000	1,735,000	120,250	129,969	9,719	7.14%	3.58%
Engro Fertilizers Limited	-	-	-	-	-	243,700	268,480	24,780	14.75%	7.40%
Food and personal care products										
Al Shaheer Corporation Limited	-	53,000	-	-	53,000	1,433	1,444	11	0.08%	0.04%
						1,433	1,444	11	0.08%	0.04%
Oil and gas exploration companies										
Pakistan Petroleum Limited	127,700	1,152,600	-	945,800	334,500	72,186	71,884	(302)	3.95%	1.98%
Oil & Gas Development Company Limited ***	120,000	1,282,400	-	447,400	955,000	153,417	148,617	(4,800)	8.17%	4.09%
Pakistan Oilfields Limited	-	620,750	-	355,450	265,300	173,955	178,226	4,271	9.80%	4.91%
Mari Petroleum Company Limited	-	16,000	-	16,000	-	-	-	-	0.00%	0.00%
						399,558	398,727	(831)	21.92%	10.98%
Oil and gas marketing companies										
Attock Petroleum Limited	350	-	-	-	350	219	206	(13)	0.01%	0.00%
Sui Northern Gas Pipelines Limited	-	1,420,000	-	620,000	800,000	94,562	80,176	(14,386)	4.41%	2.21%
Hi-Tech Lubricants Limited	-	154,400	-	-	154,400	13,773	15,644	1,871	0.86%	0.43%
						108,554	96,026	(12,528)	5.28%	2.65%
Pharmaceuticals										
The Searle Company Limited	-	35,000	-	-	35,000	11,200	11,883	683	0.65%	0.33%
AGP Limited	-	810,532	-	357,000	453,532	36,283	40,269	3,986	2.21%	1.11%
						47,483	52,152	4,669	2.86%	1.44%
Power generation and distribution										
The Hub Power Company Limited ***	379,000	1,657,000	-	277,000	1,759,000	185,714	162,109	(23,605)	8.91%	4.46%
K-Electric Limited *	4,000,000	2,894,000	-	4,000,000	2,894,000	20,114	16,438	(3,676)	0.90%	0.45%
						205,828	178,547	(27,281)	9.81%	4.91%
Refinery										
Attock Refinery Limited	-	85,000	-	85,000	-	-	-	-	0.00%	0.00%
						-	-	-	0.00%	0.00%
Sugar and allied industries										
Faran Sugar Mills Limited	92,000	-	-	-	92,000	7,384	7,645	261	0.42%	0.21%
						7,384	7,645	261	0.42%	0.21%
Technology and communication										
NetSol Technologies Limited	120,000	-	-	120,000	-	-	-	-	0.00%	0.00%
Systems Limited	-	350,000	-	-	350,000	31,850	35,427	3,577	1.95%	0.98%
						31,850	35,427	3,577	1.95%	0.98%
Textile composite										
Kohinoor Textile Mills Limited	25,000	160,500	-	-	185,500	18,258	10,201	(8,057)	0.56%	0.28%
Nishat Mills Limited - a related party	103,900	752,100	-	-	856,000	130,258	120,628	(9,630)	6.63%	3.32%
						148,516	130,829	(17,687)	7.19%	3.60%
Total as at June 30, 2018						1,806,634	1,682,283	(124,351)		
Total as at June 30, 2017						446,806	456,501	9,694		

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

7.2 Listed equity securities - 'available-for-sale'

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

Name of the investee company	Number of shares				Balance as at June 30, 2018			Market value		Paid-up value of shares held as a percentage of total paid-up capital of the investee company
	As at July 01, 2017	Purchased during the year	Right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value	As a percentage of total investments	As a percentage of net assets	
							(Rupees in '000)		%	
Automobile assembler										
Honda Atlas Cars (Pakistan) Limited	1,600	-	-	1,600	-	-	-	0.00%	0.00%	0.00%
Automobile part and accessories										
Agriauto Industries Limited**	37,000	-	-	-	37,000	10,001	10,915	914	0.60%	0.13%
						10,001	10,915	914	0.60%	0.13%
Chemical										
ICI Pakistan Limited	12,000	-	-	-	12,000	5,071	9,618	4,547	0.53%	0.01%
						5,071	9,618	4,547	0.53%	0.01%
Fertilizer										
Dawood Hercules Corporation Limited	149,200	-	-	-	149,200	19,461	16,528	(2,933)	0.91%	0.03%
Fatima Fertilizer Company Limited - a related party	46,000	-	-	46,000	-	-	-	-	0.00%	0.00%
						19,461	16,528	(2,933)	0.92%	0.03%
Food and personal care products										
Engro Foods Limited****	700	-	-	-	700	56	62	6	0.00%	0.00%
						56	62	6	0.00%	0.00%
Leather and tanneries										
Service Industries Limited****	3,050	-	-	-	3,050	2,288	2,394	106	0.13%	0.03%
						2,288	2,394	106	0.13%	0.03%
Oil and gas exploration companies										
Pakistan Petroleum Limited***	83,100	-	-	82,500	600	96	129	33	0.01%	0.00%
Oil & Gas Development Company Limited***	242,400	-	-	-	242,400	34,530	37,722	3,192	2.07%	1.04%
Pakistan Oilfields Limited	43,500	-	-	-	43,500	14,471	29,223	14,752	1.61%	0.80%
Man Petroleum Company Limited	21,800	-	-	19,540	2,260	1,802	3,404	1,602	0.19%	0.09%
						50,899	70,478	19,579	3.88%	1.93%
Oil And Gas Marketing Companies										
Attock Petroleum Limited	200	-	-	-	200	107	118	11	0.01%	0.00%
						107	118	11	0.01%	0.00%
Paper And Board										
Packages Limited****	350	-	-	-	350	171	171	-	0.01%	0.00%
						171	171	-	0.01%	0.00%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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

Name of the investee company	Number of shares				Balance as at June 30, 2018		Market value			
	As at July 01, 2017	Purchased during the year	Bonus / Right issue during the year	Sold during the year	As at June 30, 2018	Carrying value	Market value / (diminution)	As a percentage of total investments	As a percentage of net assets	Paid-up value of shares held as a percentage of total paid-up capital of the investee company
Pharmaceuticals										
The Seafle Company Limited	155	-	31	-	186	49	63	0.00%	0.00%	0.00%
IBL HealthCare Limited	4,485	-	448	-	4,933	433	396	0.02%	0.01%	0.01%
						482	459	0.02%	0.01%	0.01%
Power Generation and Distribution										
The Hub Power Company Limited****	270,744	-	-	-	270,744	24,638	24,952	1.37%	0.69%	0.02%
						24,638	24,952	1.37%	0.69%	0.02%
Technology and Communication										
Netsol Technologies Limited	57,500	-	-	57,500	-	-	-	0.00%	0.00%	0.00%
						-	-	0.00%	0.00%	0.00%
Textile Composite										
Kohinoor Textile Mills Limited****	27,500	-	1,650	-	29,150	1,603	1,603	0.09%	0.04%	0.01%
						1,603	1,603	0.09%	0.04%	0.01%
Miscellaneous										
Shifa International Hospitals Limited	111	-	-	-	111	31	30	0.00%	0.00%	0.00%
						31	30	0.00%	0.00%	0.00%
Total as at June 30, 2018						114,808	137,328	22.52%		
Total as at June 30, 2017						158,757	196,421	37.664		
These have a face value of Rs.3.5 per share										
These have a face value of Rs.5 per share										
Following shares were pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against margin:										
Name of security					June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017		
					--- (Number of shares) ---					
The Hub Power Company Limited					233,744	649,744	21,542	76,299		
Lucky Cement Limited					25,000	210,800	12,698	31,227		
Oil & Gas Development Company Limited					100,000	362,400	15,562	50,986		
					358,744	1,222,944	49,802	158,512		

**** The carrying value of these securities have been adjusted with impairment aggregating Rs.9.28 million. The cost of these securities was Rs.38.03 million.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
7. DIVIDEND, PROFIT AND OTHER RECEIVABLES			
Dividend receivable		-	3,157
Profit receivable on deposit accounts with banks	7.1	10,622	3,057
Other receivable		59	-
		<u>10,681</u>	<u>6,214</u>

7.1 This includes a balance of Rs.0.19 (2017: Rs.nil) million receivable on a balance held with MCB Islamic Bank Limited (a related party).

8. ADVANCES, DEPOSITS AND PREPAYMENTS

Security deposits with:			
- National Clearing Company of Pakistan Limited (NCCPL)	8.1	2,500	2,500
- Central Depository Company of Pakistan Limited (CDC)	8.2	200	200
Advance against IPO subscription - Debt security		-	1,000
Advance tax		545	545
Prepaid stability rating fee - PACRA		-	57
		<u>3,245</u>	<u>4,302</u>

8.1 This represents deposit with NCCPL in respect of trading of listed securities.

8.2 This represents deposit with CDC on account of initial deposit for opening of investor account for electronic transfer of book-entry securities.

9. PAYABLE TO THE MANAGEMENT COMPANY

Remuneration payable	9.1	5,782	2,478
Sales tax on remuneration payable	9.2	752	322
Expenses allocated by the Management Company	9.3	289	123
Selling and marketing expenses	9.4	3,396	1,593
Sales load payable		3,762	852
Shariah advisory fee		75	75
		<u>14,056</u>	<u>5,443</u>

9.1 The Management Company has charged remuneration at the rate of 2% of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

9.2 Sales tax on management remuneration has been charged at the rate of 13% (2017: 13%).

9.3 As per regulations 60(3)(s) of amended NBFC regulations dated November 25, 2015, fee and expenses pertaining to registrar services, accounting, operations and valuation service related to a collective investment scheme (CIS) are chargeable to the scheme, maximum upto 0.1% of the average annual net assets or the actual cost, whichever is lower. Accordingly, the management company has charged 0.1% of the average annual net assets with effect from November 25, 2015, being lower.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

- 9.4** In connection with Regulation 60(3)(v) of the NBFC Regulations, SECP has issued Circular No. 40 of 2016 dated December 30, 2016 (later amended vide Circular No. 05 of 2017 dated February 13, 2017) whereby it has prescribed certain conditions on Asset Management Companies (AMCs) for charging selling and marketing expenses to collective investment schemes (CISs). In accordance with the provisions contained in these circulars, selling and marketing expenses will be allowed initially for a period of three years (from January 01, 2017 till December 31, 2019) to be charged to open end equity, asset allocation and index funds upto a maximum of 0.4% per annum of net assets of the fund or actual expenses, whichever is less. Keeping in view the aforementioned provisions, the Management Company charged selling and marketing expenses to the Fund during the year.

	Note	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017 -----
10. PAYABLE TO THE TRUSTEE			
Remuneration payable	10.1	372	206
Sales tax on remuneration payable	10.2	48	27
		<u>420</u>	<u>233</u>

- 10.1** The Trustee, CDC is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document as per the tariff specified therein, based on the daily net assets value of the Fund. The tariff structure applicable to the Fund in respect of trustee fee is as follows:

Average net assets value	Tariff per annum
Up to Rs.1 billion	Rs.0.7 million or 0.20% per annum of net assets, whichever is higher
Amount exceeding Rs.1 billion	Rs.2.0 million plus 0.10% p.a. of net assets exceeding Rs.1 billion

- 10.2** Sales tax on remuneration of the Trustee has been charged at the rate of 13% (2017: 13%).

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

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% (2017: 0.095%) of the average daily net assets of the Fund.

12. ACCRUED AND OTHER LIABILITIES

Provision for Sindh Workers' Welfare Fund (SWWF)	12.1	7,622	7,622
Federal Excise Duty payable on management fee	12.2	5,910	5,910
Federal Excise Duty and related taxes payable on sales load		1,136	1,136
Sale load payable to MCB Bank Limited		-	1
Charity / donation payable		939	626
Auditors' remuneration		369	470
Zakat payable		15	12
Withholding tax payable		70	546
Brokerage payable		1,126	1,600
Other payables		811	425
		<u>17,998</u>	<u>18,348</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

12.1 Provision for Sindh Workers' Welfare Fund (SWWF)

As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act (SWWF Act), 2014 had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs.0.5 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies (including the Management Company of the Fund) whereby it was contested that mutual funds should be excluded from the ambit of the SWWF Act as these were not industrial establishments but were pass through investment vehicles and did not employ workers. The SRB held that mutual funds were included in the definition of financial institutions as per the Financial Institution (Recovery of Finances) Ordinance, 2001 and were, hence, required to register and pay SWWF under the SWWF Act. Thereafter, MUFAP has taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF which is currently pending. However, as a matter of abundant caution, MUFAP has recommended to all its members to record a provision for SWWF from the date of enactment of SWWF Act, 2014 (i.e. starting from May 21, 2015).

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2018 would have been higher by Re.0.15 (2017: Re.0.37) per unit.

12.2 Federal Excise Duty on remuneration to the Management Company

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund 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 representatives of Collective Investment Schemes through their trustees, challenging the levy of FED.

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

With effect from July 1, 2016, FED on services provided or rendered by Non-Banking Financial Institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2018 aggregates to Rs.5.91 (2017: Rs.5.91) 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, 2018 would have been higher by Re.0.11 (2017: Re.0.29) per unit.

13. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2018 and June 30, 2017

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
14. AUDITORS' REMUNERATION		
Annual audit fee	250	250
Half yearly review fee	131	125
Other certification and services	75	175
	456	550
Sales tax	36	44
Out of pocket expenses	19	108
	<u>511</u>	<u>702</u>

15. TAXATION

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

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 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.

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

16.1 Unit Holders' Fund

	June 30, 2018						
	As at July 01, 2017	Issued for cash	Units Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash Redeemed (Rupees in '000)	As at June 30, 2018
Group / Associated Companies							
D.G Khan Cement Company Limited - Employees' Provident Fund Trust	111,065	-	111,065	-	8,109	-	7,552
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	2,070,914	-	2,070,914	-	151,205	-	143,331
Nishat Power Limited Employees Provident Fund Trust	2,919	-	2,919	-	213	-	199
Adamjee Life Assurance Company Limited - (MAZAAF)	-	919,634	-	919,634	-	64,500	64,420
Key management personnel	12,332	38,738	43,977	7,093	900	2,722	497
Mandate under Discretionary Portfolio Services	1,186,526	223,516	162,780	1,247,261	86,632	16,040	87,370
	June 30, 2017						
	As at July 01, 2016	Issued for cash	Units Redeemed	As at June 30, 2017	As at July 01, 2016	Issued for cash Redeemed (Rupees in '000)	As at June 30, 2017
Group / Associated Companies							
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	-	3,006,774	935,860	2,070,914	-	226,468	151,205
D.G. Khan Cement Company Limited - Employees' Provident Fund Trust	99,938	11,127	-	111,065	6,348	799	8,109
Nishat Power Limited Employees Provident Fund Trust	-	147,214	144,295	2,919	-	12,521	213
Key management personnel	52,507	58,690	68,638	42,559	3,335	4,719	3,107
Mandate under Discretionary Portfolio Services	458,682	1,343,606	615,762	1,186,526	29,137	98,151	86,632

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018	June 30, 2017
	----- (Rupees in '000) -----	
16.2 Transactions during the year:		
Management Company		
MCB Arif Habib Savings and Investments Limited		
Remuneration (including related taxes)	56,366	26,235
Selling and marketing expenses	9,976	1,593
Expense allocated by the Management Company and related taxes	2,818	1,337
Shariah advisory fee	900	900
Central Depository Company of Pakistan Limited - Trustee		
Remuneration (including indirect taxes)	3,948	2,435
Central Depository Service (CDS) settlement charges	179	76
Group / Associated Companies		
MCB Bank Limited		
Bank charges	41	24
MCB Islamic Bank Limited		
Profit on bank deposits	1,960	-
Arif Habib Limited - Brokerage house		
Brokerage and settlement charges *	717	288
Next Capital Limited - Brokerage house		
Brokerage and settlement charges *	279	371
D.G. Khan Cement Company Limited		
Purchase of 2,405,300 (2017: 515,000) shares	334,231	112,148
Sale of shares 1,782,300 (2017: 515,000) shares	256,661	106,883
Dividend income	14	450
Fatima Fertilizer Company Limited		
Purchase of 400,000 (2017: 519,000) shares	12,500	17,055
Sale of 300,000 (2017: 219,000) shares	8,654	7,743
Dividend income	900	681
Pakgen Power Limited		
Sale of nil (2017: 722,500) shares	-	17,541
Dividend income	-	904

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018**

	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
Nishat Mills Limited		
Purchase of 752,100 (2017: 386,000) shares	113,771	54,748
Sale of nil (2017: 567,100) shares	-	84,025
Dividend income	1,803	1,580
Mughal Iron and Steel Industries		
Purchase of 314,500 (2017: Nil) shares	23,588	-
Sale of 314,500 (2017: Nil) shares	22,099	-
Dividend income	61	-
Aisha Steel Mills Limited		
Purchase of nil (2017: 1,000,000) shares	-	22,291
Sale of nil (2017: 1,000,000) shares	-	26,042
Lalpir Power Limited		
Sale of nil (2017: 865,000) shares	-	19,285
Dividend income	-	303
16.3 Balances outstanding at year end:		
Management Company		
MCB Arif Habib Savings and Investments Limited		
Remuneration payable	5,782	2,478
Sales tax on remuneration payable	752	322
Selling and marketing expenses payable	3,396	1,593
Sales load payable	3,705	762
Sales tax payable on sales load	57	90
Shariah advisory fee payable	75	75
Expenses allocated by the Management Company	289	123
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including indirect taxes)	372	206
Sales tax on remuneration payable	48	27
Security deposit	200	200
Arif Habib Limited - Brokerage house		
Brokerage and settlement charges payable *	18	95
Next Capital Limited - Brokerage house		
Brokerage and settlement charges payable *	74	182
MCB Bank Limited		
Balances with bank	6,479	50,442
Sales load payable	-	1

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018 ----- (Rupees in '000) -----	June 30, 2017
MCB Islamic Bank Limited		
Balances with bank **	243	-
Profit receivable on deposit account with bank	194	-
Nishat Mills Limited		
856,000 (2017: 103,900) shares held	120,628	16,487
Fatima Fertilizer Company Limited		
400,000 (2017: 300,000) shares held	12,960	10,107
D.G. Khan Cement Limited		
623,000 (2017: Nil) shares held	71,327	-

- * The amount disclosed represents the amount of brokerage paid / payable to connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not connected persons.
- * This represents balance held in deposit accounts carrying profit at the rate of 5.75% (2017: nil%) per annum.

17. FINANCIAL RISK MANAGEMENT

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

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

The Fund financial assets primarily comprise of balances with banks, investment in equity securities of listed companies classified at 'fair value through profit or loss - held-for-trading' and 'available-for-sale'. The Fund also has dividend, profit, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to the Management Company, the Trustee and accrued and other liabilities.

17.1 Market risk

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

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

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

17.1.1 Currency risk

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

17.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market profit rates.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

a) Sensitivity analysis of variable rate instruments

Presently, the Fund does not hold any variable profit based investment except balances with banks in deposit account exposing the Fund to cash flow profit rate risk. In case of 100 basis points increase / decrease as on June 30, 2018, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs.18.82 (2017: Rs.7.93) million.

b) Sensitivity analysis of fixed rate instruments

As at June 30, 2018 the Fund does not hold any fixed rate instruments, therefore, the Fund is not exposed to fair value profit rate risk.

Profit rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date. The composition of the fund's investment may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2018 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

June 30, 2018						
	Exposed to profit rate risk				Not exposed to profit rate risk	Total
	Profit rate (%)	Up to three months	More than	More than one year		
			three months and upto one year			
----- (Rupees in '000) -----						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5.25 - 6.50	1,882,153	-	-	10,384	1,892,537
Investments classified as:						
- 'at fair value through profit or loss held-for-trading'		-	-	-	1,682,283	1,682,283
- 'available-for-sale'		-	-	-	137,328	137,328
Dividend, profit and other receivables		-	-	-	10,681	10,681
Security deposits		-	-	-	2,700	2,700
		<u>1,882,153</u>	<u>-</u>	<u>-</u>	<u>1,843,376</u>	<u>3,725,529</u>
Financial liabilities						
Payable to the Management Company		-	-	-	13,304	13,304
Payable to the Trustee		-	-	-	372	372
Payable against purchase of investments		-	-	-	57,694	57,694
Accrued and other liabilities		-	-	-	2,664	2,664
		<u>-</u>	<u>-</u>	<u>-</u>	<u>74,034</u>	<u>74,034</u>
On-balance sheet gap		<u>1,882,153</u>	<u>-</u>	<u>-</u>	<u>1,769,342</u>	<u>3,651,495</u>

17.1.3 Other price risk

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, NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in note 6.1 and 6.2.

At June 30, 2018, the fair value of equity securities exposed to price risk is disclosed in note 6.1 and 6.2.

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

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

17.2 Credit risk

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

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

The Fund's maximum exposure to credit risk related to receivables at June 30, 2018 and June 30, 2017 is the carrying amounts of following financial assets.

	June 30, 2018 --- (Rupees in '000) ---	June 30, 2017
Balances with banks	1,892,537	846,966
Dividend, profit and other receivables	10,681	6,214
	<u>1,903,218</u>	<u>853,180</u>

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

None of the financial assets were considered to be past due or impaired as on June 30, 2018.

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

Bank balances by rating category	Rating Long-term / short-term	June 30, 2018 ---- (Rupees in '000) ----	June 30, 2017	June 30, 2018 ---- (Percentage) ----	June 30, 2017
Deposit accounts					
Habib Metropolitan Bank Limited	AA+/A1+	-	301	0.00%	0.04%
Meezan Bank Limited	AA+/A1+	4	1,728	0.00%	0.20%
Habib Bank Limited	AAA/A1+	713	50,211	0.04%	5.93%
United Bank Limited	AAA/A1+	324,418	6,292	17.14%	0.74%
Standard Chartered Bank Limited	AAA/A1+	-	-	0.00%	0.00%
Allied Bank Limited	AAA/A1+	6	6	0.00%	0.00%
Bank Al-Habib Limited	AA+/A1+	26,582	529	1.40%	0.06%
AlBaraka Bank (Pakistan) Limited	A/A1	5	5	0.00%	0.00%
Bank Islami Pakistan Limited	A+/A1	425,843	151,924	22.50%	17.94%
Silk Bank Limited-Emaan Islamic Bank	A-/A2	502,182	-	26.53%	0.00%
MCB Bank Limited	AAA/A1+	243	-	0.01%	0.00%
Askari Bank Limited	AA+/A1+	18	479	0.00%	0.06%
		1,882,153	792,429	99.45%	93.56%
Current accounts					
Habib Metropolitan Bank Limited	AA+/A1+	-	1,352	0.00%	0.16%
MCB Bank Limited	AAA/A1+	6,479	50,442	0.34%	5.96%
United Bank Limited	AAA/A1+	1,966	2,743	0.10%	0.32%
National Bank of Pakistan	AAA/A1+	1,939	-	0.10%	0.00%
		10,384	54,537	0.55%	6.44%
		<u>1,892,537</u>	<u>846,966</u>	<u>100%</u>	<u>100%</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

The maximum exposure to credit risk before any credit enhancement as at June 30, 2018 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Receivables against sale of units

These represent amount held under distribution accounts maintained by the management company for receipt of subscription money from unit holders. The amount has been cleared subsequently by the Management Company.

Advances and deposits

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

Concentration of credit risk

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

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 credit worthiness and the transactions are settled or paid for only upon delivery using central clearing system.

17.3 Liquidity risk

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

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

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 in issue. The Fund did not withhold any redemptions during the year.

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

June 30, 2018				
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	(Rupees in '000)			
Liabilities				
Payable to the Management Company	13,304	13,304	-	-
Payable to the Trustee	372	372	-	-
Accrued and other liabilities	2,664	1,126	1,538	-
Payable against purchase of investments	57,694	57,694	-	-
	<u>74,034</u>	<u>72,496</u>	<u>1,538</u>	<u>-</u>

June 30, 2017				
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	(Rupees in '000)			
Liabilities				
Payable to the Management Company	5,121	5,121	-	-
Payable to the Trustee	206	206	-	-
Accrued and other liabilities	2,944	1,600	1,344	-
	<u>8,271</u>	<u>6,927</u>	<u>1,344</u>	<u>-</u>

17.4 Financial instruments by category

As at June 30, 2018, all the financial assets are carried on the Statement of Assets and Liabilities are categorised either as 'loans and receivables' or financial assets classified as 'at fair value through profit or loss - held-for-trading' and 'available-for-sale'. All the financial liabilities carried on the Statement of Assets and Liabilities are categorised as other financial liabilities i.e. liabilities other than 'at fair value through profit or loss - held-for-trading'.

June 30, 2018				
	Available-for-sale investments	At fair value through profit or loss - held-for-trading	Loans and receivables	Total
	(Rupees in '000)			
Assets				
Balances with banks		-	1,892,537	1,892,537
Investments	137,328	1,682,283	-	1,819,611
Dividend, profit and other receivables	-	-	10,681	10,681
Security deposits	-	-	2,700	2,700
	<u>137,328</u>	<u>1,682,283</u>	<u>1,905,918</u>	<u>3,725,529</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2018		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	13,304	13,304
Payable to the Trustee	-	372	372
Payable against purchase of investments	-	57,694	57,694
Accrued and other liabilities	-	2,664	2,664
	-	74,034	74,034

	June 30, 2017			
	Available-for- sale investments	At fair value through profit or loss - held- for-trading	Loans and receivables	Total
	----- (Rupees in '000) -----			
Assets				
Balances with banks	-	-	846,966	846,966
Investments	196,421	456,501	-	652,922
Dividend, profit and other receivables	-	-	6,214	6,214
Security deposits	-	-	2,700	2,700
	196,421	456,501	855,880	1,508,802

	June 30, 2017		
	At fair value through profit or loss - held- for-trading	Other financial liabilities	Total
	----- (Rupees in '000) -----		
Liabilities			
Payable to the Management Company	-	5,121	5,121
Payable to the Trustee	-	206	206
Accrued and other liabilities	-	2,944	2,944

18. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

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). Adoption of IFRS 13 has not affected the financial statements.

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

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

- Level 1:** quoted prices in active markets for identical assets or liabilities;
- Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and
- Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

June 30, 2018

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June 30, 2017

Financial assets measured at fair value
Listed equity securities

Financial assets not measured at fair value

Financial liabilities not measured at fair value

Payable to the Management Company	-	5,121	5,121
Payable to the Trustee	-	206	206
Accrued and other liabilities	-	2,944	2,944
	-	8,271	8,271

During the year ended June 30, 2018, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

20. SUPPLEMENTARY NON-FINANCIAL INFORMATION

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

20.1 Pattern of unit holding

Details of pattern of unit holding

June 30, 2018				
	Number of unit holders	Number of units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2,563	38,181,707	2,674,597	73.61%
Insurance companies	-	-	-	0.00%
Retirement funds	2	110,716	7,756	0.21%
Public limited companies	-	-	-	0.00%
Associated companies	2	1,030,698	72,200	1.99%
Others	94	12,548,107	878,985	24.19%
	<u>2,661</u>	<u>51,871,228</u>	<u>3,633,537</u>	<u>100%</u>
June 30, 2017				
	Number of unit holders	Number of Units held	Investment amount (Rupees in '000)	Percentage investment %
Individuals	2,041	13,020,901	950,701	64.01%
Retirement funds	37	4,101,200	299,443	20.16%
Public limited companies	2	30,362	2,217	0.15%
Associated companis	2	2,181,978	159,314	10.73%
Others	18	1,007,799	73,583	4.95%
	<u>2,100</u>	<u>20,342,240</u>	<u>1,485,258</u>	<u>100%</u>

20.2 Top ten brokers / dealers by percentage of commission paid

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

	June 30, 2018 (Percentage)
Arif Habib Limited	13.20%
JS Global Capital Limited	10.20%
DJM Securities (Private) Limited	9.42%
AL Falah Securities (Private) Limited	6.74%
Taurus Securities Limited	6.12%
Foundation Securities Limited	6.08%
IGI Securities Finex Limited	5.56%
Elixir Securities Pakistan (Private) Limited	5.37%
Next Capital Limited	5.14%
BMA Capital Management Limited	4.93%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

	June 30, 2017 (Percentage)
EFG Hermes Pakistan Limited	8.78
Next Capital Limited	7.12
Arif Habib Limited	5.52
Intermarket Securities Limited	5.25
Top Line Securities (Private) Limited	4.71
Taurus Securities Limited	4.67
JS Global Capital Limited	4.35
BIPL Securities Limited	4.19
Elixir Securities Pakistan (Private) Limited	4.18
Foundation Securities Limited	4.00

20.3 Attendance at meetings of the Board of Directors

During the year, 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd Board meetings were held on July 06, 2017, August 04, 2017, September 07, 2017, October 12, 2017, October 20, 2017, February 02, 2018, February 23, 2018, April 19, 2018 and June 11, 2018 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meetings not attended
	Held	Attended	Leave granted	
Mian Muhammad Mansha	9	4	5	134th, 135th, 136th, 138th, 142nd
Nasim Beg	9	9	-	-
Muhammad Saqib Saleem	9	9	-	-
Salman Shah	9	7	2	134th, 138th
Haroon Rashid	9	6	3	135th, 136th, 142nd
Ahmed Jahangir	9	9	-	-
Samad A. Habib	9	5	4	134th, 136th, 138th, 139th
Mirza Qamar Beg	9	7	2	138th, 142nd

20.4 Particulars of Investment Committee and Fund Manager

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

Names	Designation	Qualification	years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	21
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	15
Mr. Saad Ahmed	Asset Class Specialist – Fixed Income	MBA	13
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	7
Mr. Aitazaz Farooqi	Research Analyst	BBA & CFA	5
Mr. Syed Abid Ali	Asset Class Specialist – Equities	MBA	10

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2018

20.5 Other funds managed by the fund manager

Mr. Awais Abdul Sattar

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

- Alhamra Islamic Stock Fund;
- Alhamra Islamic Pension Fund; and
- MCB Paksitan Frequent Payout Fund.

21 TOTAL EXPENSE RATIO

Total Expense Ratio of the Fund is 3.43% as on June 30, 2018 (2017: 4.03%) and this includes 0.39% (2017: 0.98%) representing Government Levy, Sindh Worker's Welfare Fund and SECP Fee. This ratio is within the maximum limit of 4% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an shariah compliant islamic asset allocation scheme.

22. GENERAL

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

22.2 Certain prior year's figures have been re-arranged / re-classified, wherever necessary, to facilitate comparison in the presentation in the current year. However, there are no material re-arrangements / re-classifications to report.

23. DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on September 14, 2018 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2018**

No. of Unit Holders	Unit Holdings	Total Units Held
2022	0-10000	3,470,172
523	10001 - 100000	17,272,022
112	100001 - 1000000	24,524,224
4	1000001 - Onwards	6,604,811
<u>2661</u>		<u>51,871,228</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	3,634	1,485	821	804	411
Net Assets value per unit – Rupees	70.0492	73.0135	63.52	60.93	49.30
Closing Offer Price	72.4239	75.4887	66.14	62.60	50.66
Closing Repurchase Price	70.0492	73.01	63.52	60.93	49.30
Highest offer price per unit	77.1006	90.63	81.14	69.84	55.91
Lowest offer price per unit	69.8535	66.32	57.86	48.53	48.07
Highest Redemption price per unit	74.5726	87.66	77.92	67.98	54.41
Lowest Redemption price per unit	67.5631	64.07	55.56	47.24	46.78
Distribution per unit – Rs. *		8.00	0.50	6.00	5.00
Average Annual Return - %					
One year	-4.06	27.74	5.09	35.59	18.89
Two year	11.84	16.42	20.34	27.24	23.64
Three year	9.59	22.81	19.86	27.62	20.99
Net Income for the year – Rs. in million	(77.1931)	318.9	10.46	188.63	67.81
Distribution made during the year – Rs. in million	-	139.36	6.30	70.41	37.83
Accumulated Capital Growth – Rs. in million	(77.1931)	179.54	4.17	118.22	29.97

* Date of Distribution

2017	
Date	Rate
June 21, 2017	8.00

2016	
Date	Rate
June 27, 2016	0.5

2015	
Date	Rate
June 22, 2015	6.00

2014	
Date	Rate
June 27, 2014	5.00

Disclaimer

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

PROXY ISSUED BY FUND FOR THE YEAR ENDED JUNE 30, 2018

The Board of Directors of MCB - Arif Habib Savings and Investments Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 3 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Abstain Reason for Abstaining
Number	18	18	0	0	-
(%ages)	100	100	0	0	-

Detailed information regarding actual proxies voted by the Management Company on behalf of the Fund will be provided without any charges on request of unit holders.

MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,
URL: www.mcbah.com, Email: info@mcbah.com