



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 Income Fund

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem 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 NRSP Micro Finance Bank 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	A.F Ferguson & Co. Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
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, Centrepont, 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 Income 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.

FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 4.96% as against its benchmark return of 2.44%.

During the period, the fund significantly decreased its exposure in GoP Ijarah Sukuk, which stood at 1.4% at period-end. The fund was 25.0% invested in Corporate Sukuks while remaining exposure was in Cash. The Net Assets of the Fund as at June 30, 2018 stood at Rs. 2,715 million as compared to Rs. 1,981 million as at June 30, 2017 registering an increase of 37.05%.

The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 106.0918 as compared to opening NAV of Rs. 101.0756 per unit as at June 30, 2017 registering an increase of Rs. 5.0162 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

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

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.

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.
- 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:

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

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, A.F.Ferguson & Co. Chartered Accountants, have retired during the year & Deloitte Yousuf Adil Chartered Accountants have been appointed as an external auditors of the fund for financial year ending June 30, 2019. Deloitte Yousuf Adil Chartered Accountants have also expressed their willingness to act as the fund auditors.

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 ریمونریشن کمیٹی کی میٹنگ

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

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

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 - چیئرمین
- 2 جناب نسیم بیگ
- 3 جناب احمد جہانگیر

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ”اے ایف فرگوسن اینڈ کمپنی 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 ”ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس“ کی تقرری کی گئی ہے۔ ڈیلائیٹ یوسف عادل 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 ٹرسٹیوں 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 چیئرمین



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 ایکوٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- b. فنڈ کی درست بگس 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 انڈسٹریز ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔
- e. انٹرئل 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، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ 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 میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں پیش کی گئی ہیں۔ 30 جون 2018ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

1. آڈٹ کمیٹی کی میٹنگ

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

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

فنڈ کی کارکردگی

زیرِ جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.96% تھا جبکہ مقررہ معیار 2.44% تھا۔ حکومت پاکستان اجارہ سلگ میں فنڈ کی شمولیت کو دورانِ مدت خاطر خواہ حد تک کم کر کے اختتامِ مدت پر 1.4% کر دیا گیا۔ فنڈ کی سرمایہ کاری 25.0% کارپوریٹ سیکس میں تھی جبکہ بقیہ شمولیت نقد میں تھی۔

30 جون 2018ء کو فنڈ کے net اثاثہ جات 2,715 ملین روپے تھے، جو 30 جون 2017ء کو 1,981 ملین روپے کے مقابلے میں 37.05% اضافہ ہے۔

30 جون 2018ء کو فنڈ کی net اثاثہ جاتی قدر (NAV) فی یونٹ 106.0918 روپے تھی، جو 30 جون 2017ء کو 101.0756 روپے ابتدائی NAV کے مقابلے میں 5.0162 روپے فی یونٹ اضافہ ہے۔

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 تنظیمیں کو سہولت میسر ہوگی۔ دیرینہ مسائل کے حل کے لیے نئی حکومت کی مرکز اور مخلصانہ کوششوں کے پیشِ نظر ہم بہتر طرزِ 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 پیشِ 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 افراطِ زر میں اضافے کے پیشِ 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۔

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 ڈائریکٹر 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 ضابطہء 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 لئے 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 ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

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

معیشت اور بازار زر 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 رخ پر گامزن ہو سکتا ہے، سوائے اس کے کہ ایمنسٹی 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 سکیورٹیز 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 Income Fund is an Open-End Shariah Compliant (Islamic) Income Scheme.

Fund Benchmark

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

Investment Objective

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

Investment Strategy

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

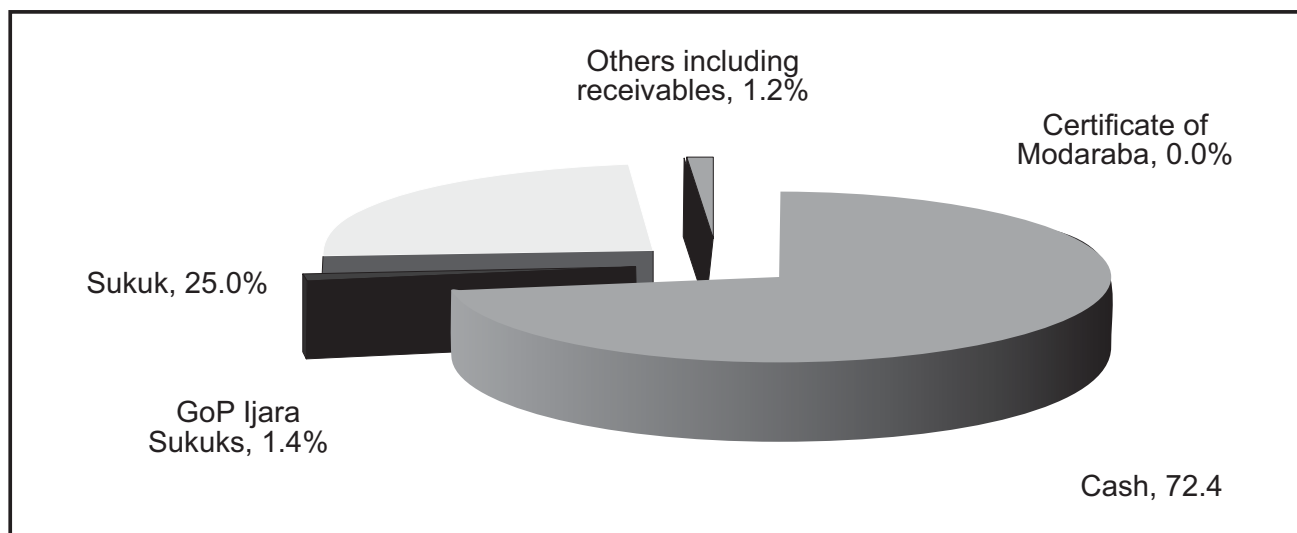
Manager's Review

During the period under review, the fund generated an annualized return of 4.96% as against its benchmark return of 2.44%.

During the period, the fund had been decreasing its exposure in GoP Ijarah Sukuk, which stood at 1.4% at period-end. The fund was 25.0% invested in Corporate Sukuks while most of the remaining exposure was in Cash & GoP Ijarah Sukuks.

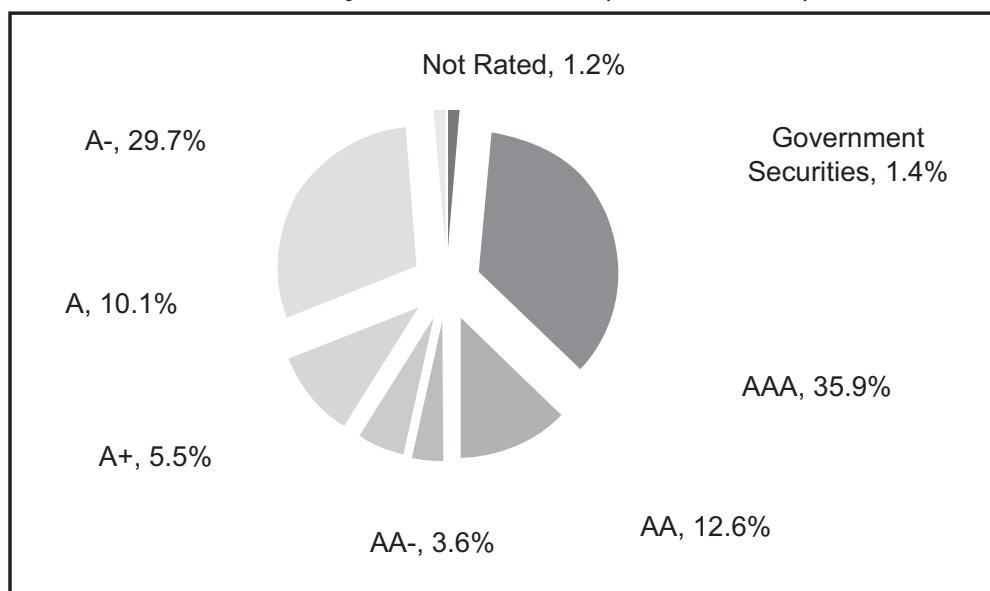
The Net Assets of the Fund as at June 30, 2018 stood at Rs. 2,715 million as compared to Rs. 1,981 million as at June 30, 2017 registering an increase of 37.1%. The Net Asset Value (NAV) per unit as at June 30, 2018 was Rs. 106.0918 as compared to opening NAV of Rs. 101.0756 per unit as at June 30, 2016 registering an increase of Rs. 5.0162 per unit.

Asset Allocation as on June 30, 2018 (% of total assets)



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

Asset Quality as on June 30, 2018 (% of total assets)



Usama Iqbal
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 Shakra-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 INCOME FUND

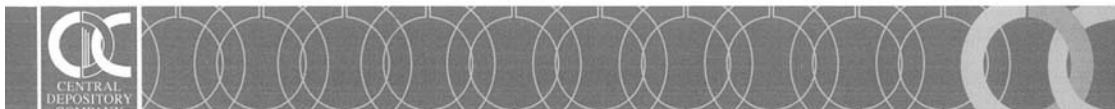
Report of the Trustee pursuant to Regulation 41(h) and clause 9 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of Alhamra Islamic Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 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 Fund, are issuing this report in accordance with the Offering document of Alhamra Islamic Income Fund (the Fund). The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

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

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

- We have reviewed and approved the modes of investment of ALHIIF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of ALHIIF by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of ALHIIF for the period from July 01, 2017 to June 30, 2018 have been in compliance with Shariah principles.

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

Karachi: September 14, 2018



Dr Muhammad Zubair Usmani

For and on behalf of Shariah Advisory Board

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



A.F. FERGUSON & CO.

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Alhamra Islamic Income Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Alhamra Islamic Income Fund (the Fund), which comprise the statement of assets and liabilities as at June 30, 2018, and the income statement, statement of comprehensive income, cash flow statement and statement of movement in unit holders' funds for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2018, and of its financial performance, its cash flows and transactions for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

Basis for Opinion

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

Key Audit Matters

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

Following are the key audit matters:

S. No.	Key Audit Matters	How the matter was addressed in our audit
1	Amendments to NBFC Regulations, 2008 (Refer note 3.9 to the annexed financial statements) The Securities and Exchange Commission of Pakistan through its notification [SRO 756(I)/2017] dated August 3, 2017 made certain amendments in the Non-Banking Finance Companies and Notified Entities Regulations, 2008. The impacts of these amendments have been incorporated in the financial statements of the Fund for the year ended June 30, 2018. These amendments mainly include changes with respect to recognition, measurement and presentation of "element of income", addition of certain disclosures with respect to 'Income Statement' (relating to allocation of net income for the year) and 'Statement of Movement in Unit Holders' Funds'.	We understood the requirements of the SECP notification and made inquiries from the management in respect of their methodology for implementing the changes with respect to recording of element of income. We performed walkthrough tests for ensuring compliance with the revised requirements and in this respect obtained reports of distribution of income and refund of capital by the Fund.

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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S. No.	Key Audit Matters	How the matter was addressed in our audit
	<p>The Fund has changed its accounting policy during the current year in respect of accounting for "element of income" consequent to the issuance of the above mentioned notification. The change in accounting policy has been applied prospectively from July 1, 2017 based on the clarification issued by the SECP. With this change in accounting policy the element of income which was previously recognized as part of the income for the year in the Income Statement is now considered as a "capital contribution" and taken to the Statement of Movement in Unit Holders' Funds. Element of income is explained in note 3.9.</p> <p>The SECP notification also stipulates that the accounting income available for distribution as appearing in the "Income Statement" excludes income already paid on units redeemed during the year. Accordingly, the net amount appearing on the "Income Statement" after deducting the income already paid on units redeemed is to be considered as the distributable amount.</p> <p>In order to avail tax exemption, the Fund has to distribute 90 percent of its accounting income (excluding realised and unrealised capital gains). However, at the time of distribution of income, the element of income contributed on issue of units recognized in the equity during the year is required to be refunded on the units in the same proportion in which income is distributed from the Income Statement i.e. after taking into account the amount of income already paid on units redeemed. Management has developed a system for carrying out the calculations for such distributions.</p> <p>These calculations are important from the point of view of ensuring compliance with the applicable requirements. The above matters are significant accounting and regulatory developments / events for the mutual fund industry affecting the financial statements for the current year and therefore we considered these developments as key audit matter.</p>	<p>We verified transactions on a test basis with the underlying records of the reports provided by the management to assess their compliance with the revised regulations.</p> <p>We recalculated the profit available for distribution taking into account amount already distributed at the time of redemption.</p> <p>We verified the accuracy of the management report for allocation of distributable amount between "distribution out of income" and "refund of capital". This included testing the parameters of the report.</p> <p>We verified disclosures relating to change in accounting policy to ensure that these are in compliance with the applicable accounting and reporting framework.</p>
2	Net Asset Value	
	<p>(Refer notes 4 and 5 to the financial statements)</p> <p>The investments and bank balances constitute the most significant component of the net assets value. The investments of the Fund as at June 30, 2018 amounted to Rs 722.449 million and bank balances aggregated to Rs 1,981.855 million.</p> <p>The proper valuation of investments and bank balances for the determination of NAV of the Fund as at June 30, 2018 was considered a high risk area and therefore we considered this as a key audit matter.</p>	<p>We performed the following audit procedures:</p> <ul style="list-style-type: none"> Tested the design and operating effectiveness of the key controls for valuation of investments; Obtained independent confirmations for verifying the existence of the investment portfolio and bank balances as at June 30, 2018 and reconciled it with the books and records of the Fund. Where such confirmations were not available, alternate audit procedures were performed; Re-performed valuation to assess that investments are carried as per the valuation methodology specified in the accounting policies; Obtained approval of Board of Directors of the management company in relation to opening and closing of bank accounts; and

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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S. No.	Key Audit Matters	How the matter was addressed in our audit
		<ul style="list-style-type: none">Obtained bank reconciliation statements and tested reconciling items on a sample basis.

Other Information

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

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

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

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



Chartered Accountants
Karachi

Date: September 24, 2018

STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017 (Rupees in '000)
ASSETS			
Bank balances	4	1,981,855	971,901
Investments	5	722,449	1,067,558
Profit receivable	6	32,048	12,942
Deposit and other receivable	7	1,970	252
Total assets		2,738,322	2,052,653
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	2,420	1,098
Payable to Central Depository Company of Pakistan Limited - Trustee	9	317	184
Payable to the Securities and Exchange Commission of Pakistan	10	2,081	779
Accrued expenses and other liabilities	11	18,853	14,869
Advance against issuance of units		-	54,583
Total liabilities		23,671	71,513
NET ASSETS		2,714,651	1,981,140
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		2,714,651	1,981,140
CONTINGENCIES AND COMMITMENTS	12		
(Number of units)			
NUMBER OF UNITS IN ISSUE		25,587,761	19,600,586
(Rupees)			
NET ASSET VALUE PER UNIT		106.0918	101.0756
FACE VALUE PER UNIT		100.0000	100.0000

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

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



Chief Executive Officer



Chief Financial Officer



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

	Note	2018 (Rupees in '000)	2017
(Loss) / gain on sale of investments - net		(1,535)	2,396
- Government securities		6,681	12,657
- Quoted sukuk certificates		43,805	14,052
- Commercial papers		5,380	
- Bank balances		88,364	28,116
- Certificates of musharika and modaraba		32,093	6,023
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.3	(3,837)	6,895
Reversal of provision against Workers' Welfare Fund	11.2	-	11,490
Other income		-	2
Total income		170,951	81,631
EXPENSES			
Remuneration of the Management Company	8.1	17,445	6,522
Sindh sales tax on remuneration of the Management Company	8.2	2,268	848
Allocated expenses and related taxes	8.3	3,135	1,174
Remuneration of the Trustee	9.1	3,208	1,712
Sindh sales tax on remuneration of the Trustee	9.2	417	223
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	2,081	779
Auditors' remuneration	13	655	631
Security and transaction cost		145	127
Settlement and bank charges		270	262
Legal and professional charges		143	72
Shariah advisory fee		900	900
Fees and subscription		328	343
Provision against Sindh Workers' Welfare Fund	11.2	2,799	1,924
Printing and related costs		9	147
Total operating expenses		33,803	15,664
Net income from operating activities		137,148	65,967
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	3.9	-	(1,164)
- arising from realised / unrealised gains / (losses)		-	(13,620)
- arising from other income		-	(14,784)
Net income for the year before taxation		137,148	51,183
Taxation	15	-	-
Net income for the year after taxation		137,148	51,183
Earnings per unit	3.13		
Allocation of net income for the year			
Net income for the year after taxation		137,148	
Income already paid during the year		(94,684)	
		42,464	
Accounting income available for distribution			
- Relating to capital gains		-	
- Excluding capital gains		42,464	
		42,464	

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	2018 (Rupees in '000)	2017
Net income for the year after taxation	137,148	51,183
Other comprehensive income for the year		
Items that are or may be reclassified subsequently to the income statement		
- Unrealised appreciation on re-measurement of investments classified as available-for-sale'	-	-
- Unrealised appreciation on re-measurement of investments classified as 'available for sale' transferred to income statement upon sale of investments	-	(114)
Total comprehensive income for the year	<u>137,148</u>	<u>51,069</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

	For the year ended June 30, 2018			For the year ended June 30, 2017
	(Rupees in '000)			
	Capital Value	Undistributed income	Unrealised (losses) / gains on available for sale investment	Total
Net assets at beginning of the year	1,959,537	21,603	-	1,981,140
Issue of 72,690,821 units (2017: 41,029,210 units):				
- Capital value (at net asset value per unit at the beginning of the year)	7,347,268	-	-	7,347,268
- Element of income	172,793	-	-	172,793
	7,520,061	-	-	7,520,061
Redemption of 66,703,646 units (2017: 31,045,461 units):				
- Capital value (at net asset value per unit at the beginning of the year)	6,742,111	-	-	6,742,111
- Element of loss	86,903	94,684	-	181,587
	6,829,014	94,684	-	6,923,698
Net element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	14,784
Total comprehensive income for the year	-	137,148	-	137,148
Distributions during the year	-	-	-	(42,949)
Net income for the year less distribution	-	137,148	-	8,120
Net assets as at the end of the year	2,650,584	64,067	-	2,714,651
Undistributed income brought forward comprises of:				
- Realised gain		14,708		12,157
- Unrealised gain / (loss)		6,895		(5,329)
		21,603		6,828
Accounting income available for distribution:				
- Relating to capital gains		-		-
- Excluding capital gains		42,464		42,464
Net income for the year after taxation		-		51,183
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		-		6,541
Distribution for the year		-		(42,949)
Undistributed income carried forward		64,067		21,603
Undistributed income carried forward comprises of:				
- Realised gain		67,904		14,708
- Unrealised (loss) / gain		(3,837)		6,895
		64,067		21,603
Net assets value per unit as at beginning of the year			(Rupees)	(Rupees)
Net assets value per unit as at end of the year			101.0756	100.6677
			106.0918	101.0756

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

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



Chief Executive Officer



Chief Financial Officer



Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2018

CASH FLOWS FROM OPERATING ACTIVITIES	Note	2018 (Rupees in '000)	2017
Net income for the year after taxation		137,148	51,183
Adjustments for:			
Unrealised diminution / (appreciation) on re-measurement of investments classified as financial assets at fair value through profit or loss - net		3,837	(6,895)
Reversal of provision against Workers' Welfare Fund		-	(11,490)
Provision against Sindh Workers' Welfare Fund		2,799	1,924
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net			
- arising from realised / unrealised gains / (losses)		-	1,164
- arising from other income		-	13,620
		143,784	49,506
(Increase) / decrease in assets			
Investments - net		341,272	(340,117)
Profit receivable		(19,106)	(6,666)
Deposit and other receivable		(1,718)	(15)
		320,448	(346,798)
Increase / (decrease) in liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		1,322	458
Payable to Central Depository Company of Pakistan Limited - Trustee		133	32
Payable to the Securities and Exchange Commission of Pakistan		1,302	(58)
Accrued expenses and other liabilities		1,185	(3,365)
Advance against issuance of units		(54,583)	54,583
		(50,641)	51,650
Net cash flows (used in) / generated from operating activities		413,591	(245,642)
CASH FLOWS FROM FINANCING ACTIVITIES			
Amount received against issuance of units		7,520,061	4,194,348
Amount paid against redemption of units		(6,923,698)	(3,204,217)
Distributions made during the year		-	(42,949)
Net cash flows (used in) / generated from financing activities		596,363	947,182
Net increase in cash and cash equivalents during the year		1,009,954	701,540
Cash and cash equivalents at the beginning of the year		971,901	270,361
Cash and cash equivalents at the end of the year	4	1,981,855	971,901

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

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



Chief Executive Officer



Chief Financial Officer



Director

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

1 LEGAL STATUS AND NATURE OF BUSINESS

Alhamra Islamic Income Fund (formerly MCB Islamic Income Fund) (the Fund) was established under a trust deed executed between MCB Asset Management Company Limited (which merged with and into Arif Habib Investments Limited with effect from June 27, 2011) as the Management Company and the Central Depository Company of Pakistan Limited (CDC) as the Trustee. Pursuant to the merger of MCB-Asset Management Company Limited 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. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 25, 2011 and was executed on March 7, 2011. According to the Trust Deed, the first accounting period of the Fund commenced from May 1, 2011 i.e. the date on which the trust property was first paid or transferred to the Trustee. The SECP has approved Supplemental Trust Deed, under the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), vide its letter No. SCD/AMCW/MCBAHSIL/MCBIIIF/396/2017 dated January 25, 2017 to modify and restate the previous Trust Deed to effectuate renaming of the Fund to Alhamra Islamic Income Fund.

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

The Fund is an open-end collective investment scheme categorised as a "Shariah Compliant (Islamic) Income" scheme by the Board of Directors of the Management Company pursuant to Circular 7 of 2009 dated March 6, 2009 issued by the SECP. The units of the Fund were initially offered for public subscription at a par value of Rs 100 per unit. Thereafter, the units are being offered for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

The objective of the Fund is to seek to generate superior risk adjusted returns by investing in short, medium and long-term high quality Shariah Compliant fixed income instruments.

The Pakistan Credit Rating Agency Limited (PACRA) has assigned Management quality rating of AM2++ dated December 28, 2017 to the Management Company and AA-(f) as stability rating dated June 30, 2018 to the Fund.

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

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

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

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

2.2 Standards, Interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain amended standards and interpretations that are mandatory for the Fund's accounting period beginning on or after July 1, 2017 but are considered not to be relevant or to have any significant effect on the Fund's operations and are, therefore, not disclosed in these financial statements.

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

2.3.1 The following standards have been adopted in Pakistan and would be effective from the dates mentioned below against the respective standards:

Standards, Interpretations or Amendments	Effective date (accounting period beginning on or
IFRS-9 Financial Instruments	July 1, 2018
IFRS-15 Revenue from contracts with customers	July 1, 2018
IFRS-16 Leases	January 1, 2019

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

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

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

- Classification and valuation of investments (note 3.2.1 and 5.1)
- Impairment of financial assets (note 3.2.6)
- Taxation (note 3.7 and 15)

2.5 Accounting convention

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

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for the change as disclosed in note 3.9 to these financial statements.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term highly liquid investments with original maturity of three months or less, are readily convertible to known amounts of cash, are subject to an insignificant risk of

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

changes in value, and are held for the purpose of meeting short term cash commitments rather than for investments and other purposes.

3.2 Financial assets

3.2.1 Classification

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

Investments are categorised as follows:

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profits from short-term fluctuations in prices are classified as financial assets at fair value through profit or loss category. These include held for trading investments and such other investments that, upon initial recognition, are designated under this category.

b) Loans and receivables

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

c) Available-for-sale

Available for sale financial assets are those non-derivative financial assets that are designated as available for sale or are not classified as (a) financial assets at fair value through profit or loss or (b) loans and receivables. 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.

3.2.2 Derivatives

These are measured at fair value. Derivatives with positive fair values (unrealised gains) are included in fair value of derivative asset and derivatives with negative fair values (unrealised losses) are included in fair value of derivative liability in the statement of assets and liabilities. The resultant gains and losses are included in the income statement.

3.2.3 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date i.e. the date on which the Fund commits to purchase or sell the asset.

3.2.4 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed out in the income statement.

3.2.5 Subsequent measurement

a) Financial assets 'at fair value through profit or loss' and 'available for sale'

Subsequent to initial recognition, financial instruments classified as 'at fair value through profit or loss' and 'available-for-sale' are measured at fair value.

Gains or losses arising, from changes in the fair value and on sale of the financial assets 'at fair value through profit or loss' are recognised in the Income Statement.

Net gains and losses arising from changes in the fair value of financial assets classified as available for sale are

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

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.

Basis of valuation

- The fair value of investments in Government securities is determined by reference to the quotations obtained from the PKISRV rate sheet on the MUFAP website.
- Other debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its circular no. 33 of 2012 dated October 24, 2012 (which is essentially the same as contained in circular no. 1 of 2009 previously used). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

b) Loans and receivables

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

Gains or losses are recognised in the income statement when the financial assets carried at amortised cost are derecognised or impaired.

3.2.6 Impairment

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

Impairment loss on debt securities

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

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

For certain other financial assets, a provision for impairment is established when there is an objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against these amounts is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company in accordance with the requirements of the Securities and Exchange Commission of Pakistan.

3.2.7 Derecognition

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

3.3 Financial liabilities

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

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

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

3.4 Offsetting of financial assets and liabilities

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

3.5 Provisions

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

3.6 Taxation

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

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

3.7 Dividend distribution and appropriations

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

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

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

3.8 Issue and redemption of units

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

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

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

The Securities and Exchange Commission of Pakistan through its SRO 756(I)/2017 dated August 3, 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 revised 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

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

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. 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.

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 1, 2017 based on the clarification issued by the SECP. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations through the aforementioned SRO issued by the SECP.

Had the element of income / (loss) been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs 8.618 million net off charge for SWWF in respect of element of income and the NAV per unit of the Fund would have increased by Re. 0.0069. 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 asset 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.

3.10 Net asset value per unit

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

3.11 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as available for sale is included in other comprehensive income in the period in which it arises.
- Income on bank balances, certificates of modaraba, term deposit receipts, debt and government securities is recognised on an accrual basis.

3.12 Expenses

All expenses chargeable to the fund including remuneration of management company, trustee fee and annual fee of the SECP are recognized in the income statement on an accrual basis.

3.13 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.

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

	Note	2018	2017
		(Rupees in '000)	
4 BANK BALANCES			
Bank balances			
- in saving accounts	4.1	1,973,916	952,302
- in current accounts	4.2	7,939	19,599
		<u>1,981,855</u>	<u>971,901</u>

- 4.1** These carry profit at the rates ranging between 3.75% to 7.35% (2017: 3.75% and 5.65%) per annum and include Rs. 0.016 million maintained with MCB Islamic Bank Limited, (a related party) which carries profit at the rate of 5.75 % per annum and Rs 814.236 million maintained with Silk Bank Limited (a related party) which carries profit at the rate of 6.5% per annum.
- 4.2** These include Rs 5.355 million (2017: Rs 4.7 million) maintained with MCB Bank Limited, a connected person / related party.

	Note	2018	2017
		(Rupees in '000)	
5 INVESTMENTS			
'At fair value through profit or loss' - held for trading			
Government securities	5.1.1	37,141	548,651
Quoted sukuk certificates	5.1.2	685,308	298,907
Loans and receivables			
Certificates of modaraba	5.4	-	100,000
Certificates of musharika	5.5	-	120,000
		<u>722,449</u>	<u>1,067,558</u>

5.1 'At fair value through profit or loss' - held for trading

5.1.1 Government securities - Government of Pakistan (GoP) Ijara sukuk

Issue date	Tenor	Face value				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation / (diminution) as at June 30, 2018	Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018					
----- (Rupees in '000) -----										
18 December 2015	3 years	-	50,000	13,000	37,000	37,110	37,141	31	1.37%	5.14%
30 June 2017	3 years	545,000	-	545,000	-	-	-	-	-	-
Total June 30, 2018						37,110	37,141	31	1.37%	5.14%
Total June 30, 2017						545,000	548,651	3,651		

5.1.1.1 The cost of investments as at June 30, 2018 amounts to Rs 37.27 million (2017: Rs 545 million).

5.1.1.2 These securities are held in the IPS account of United Bank Limited maintained with the State Bank of Pakistan. And carry a profit rate of 5.51% (2017: 5.24%) per annum, due to mature on December 18, 2018 (2017: June 30, 2020).

5.1.2 Sukuk certificates- Unlisted

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

5.1.2 Sukuk certificates- Unlisted

Issuer	Number of certificates				Carrying value as at June 30, 2018	Market value as at June 30, 2018	Unrealised appreciation/(diminution) as at June 30,	Market value as a percentage of net assets	Market value as a percentage of total investments	Investments as a percentage of total issue size
	As at July 1, 2017	Purchased during the year	Sold / matured during the year	As at June 30, 2018						
---- (Rupees in '000) ----										
Fertilizer										
Engro Fertilizers Limited (face value Rs 5,000 each)	23,600	-	-	23,600	64,218	62,570	(1,648)	2.30%	8.66%	3.69%
Commercial Banks										
Meezan Bank Limited (face value Rs 1,000,000 each)	100	-	100	-	-	-	-	0.00%	0.00%	0.00%
Dubai Islamic Bank Pakistan Limited (face value Rs 1,000,000 each)	-	156	156	-	-	-	-	0.00%	0.00%	0.00%
Chemical										
Ghani Gases Limited (face value Rs 100,000 each)	1,000	-	-	1,000	79,958	79,096	(862)	2.91%	10.95%	7.69%
Pharmaceutical										
Aspin Pharma (Pvt) Ltd (face value Rs 100,000 each)	-	2,000	-	2,000	200,000	198,642	(1,358)	7.32%	27.50%	13.33%
Miscellaneous										
International Brands Limited (face value Rs 100,000 each)	-	3,450	-	3,450	345,000	345,000	-	12.71%	47.75%	12.19%
Total June 30, 2018					689,176	685,308	(3,868)	25.24%	94.86%	
Total June 30, 2017					295,663	298,907	3,244			

5.1.2.1 Significant terms and conditions of sukuk certificates held as at June 30, 2018 are as follows:

Particulars	Issue date	Maturity date	Offered rate	Profit rate	Issue rating	Secured / unsecured
Engro Fertilizers Limited	July 9, 2014	July 9, 2019	6 month kibar + 1.75%	7.96%	AA-	Secured
Ghani Gases Limited	February 2, 2017	February 2, 2023	3 months KIBOR + 1.00%	7.40%	A	Secured
Aspin Pharma (Pvt) Ltd	November 30, 2017	November 30, 2023	3 months KIBOR + 1.50%	8.30%	A	Secured
International Brands Limited	November 15, 2017	November 15, 2021	12 months KIBOR + 0.50%	6.97%	AA	Secured

5.1.2.2 The cost of investments as at June 30, 2018 amounts to Rs 686.116 million (2017: Rs 290.233 million).

5.3 Unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets at fair value through profit or loss - net

Note

2018
(Rupees in '000)

2017

Market value as at June 30	5.1.1 & 5.1.2	722,449	847,558
Less: carrying value as at June 30	5.1.1 & 5.1.2	(726,286)	(840,663)
		<u>(3,837)</u>	<u>6,895</u>

5.4 These carried profit at the rate of 6% per annum, matured on March 30, 2018 and represented 5.05% of the total net assets of the Fund as at June 30, 2017.

5.5 These carried profit at the rate of 6.30% per annum, matured on December 14, 2017 and represented 6.05% of the total net assets of the Fund as at June 30, 2017.

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

	Note	2018 (Rupees in '000)	2017
6 PROFIT RECEIVABLE			
Profit receivable on:			
- Bank balances (in saving accounts)		10,917	4,152
- Investments:			
Quoted sukuk certificates		21,058	6,897
Government securities - Government of Pakistan (GoP) Ijara sukuks		73	78
Certificates of modaraba		-	1,463
Certificates of musharika		-	352
		<u>32,048</u>	<u>12,942</u>
7 DEPOSIT AND OTHER RECEIVABLE			
Security deposit with Central Depository Company of Pakistan Limited		100	100
Prepaid annual listing fee		-	152
Advance against tax deducted		375	-
Receivable against sale of units		<u>1,495</u>	<u>-</u>
		<u>1,970</u>	<u>252</u>
8 PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY			
Management remuneration payable	8.1	1,788	784
Sindh sales tax payable on management remuneration	8.2	232	102
Sales load payable		78	25
Payable against Shariah advisory fee		75	75
Payable against allocated expenses	8.3	<u>247</u>	<u>112</u>
		<u>2,420</u>	<u>1,098</u>
8.1	The Management Company has charged remuneration at a rate of 10% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 1.5% of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.		
8.2	During the year, Sindh Sales Tax on management fee has been charged at 13% (2017: 13%).		
8.3	In accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company of the Fund is entitled to reimbursement of fees and expenses in relation to registrar services, accounting, operation and valuation services related to the Fund up to a maximum of 0.1% of the average annual net assets of the Scheme or actual, whichever is less. Accordingly, with effect from November 27, 2015 the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund for the year.		
9 PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE	Note	2018 (Rupees in '000)	2017
Trustee remuneration payable	9.1	281	163
Sindh Sales Tax payable on trustee remuneration	9.2	<u>36</u>	<u>21</u>
		<u>317</u>	<u>184</u>
9.1	Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year		

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

Net Assets Value (NAV)

Up to Rs 1,000 million

On an amount exceeding Rs 1,000 million up to Rs 5,000 million

On an amount exceeding Rs. 5,000 million

Tariff per annum

0.17% per annum of Net Assets

Rs 1.7 million plus 0.085% per annum of Net Assets exceeding Rs 1,000 million

Rs 5.1 million plus 0.07% per annum of Net Assets exceeding Rs 5,000 million

9.2 Sindh Sales Tax at 13% (2017: 13%) is charged on Trustee fee.

9.3 The remuneration is paid to the Trustee on a monthly basis in arrears.

10 PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

Note

2018

2017

(Rupees in '000)

Annual fee payable to the SECP

10.1

2,081

779

10.1 In accordance with the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme is required to pay to the Securities and Exchange Commission of Pakistan an amount equal to 0.095% of the average annual net assets of the Fund as annual fee.

11 ACCRUED EXPENSES AND OTHER LIABILITIES

Note

2018

2017

(Rupees in '000)

Federal excise duty and other related taxes payable on management remuneration

11.1

8,639

8,639

Federal excise duty and other related taxes payable on sales load

3,028

3,028

Provision against Sindh Workers' Welfare Fund

11.2

4,722

1,924

Sales load payable to - MCB Bank Limited related party

8

22

Auditors' remuneration

437

446

Capital gain tax payable

1,165

395

Sindh sales tax payable on allocated expenses

582

221

Printing charges payable

40

114

Others

83

80

Payable against rating fee

149

-

18,853

14,869

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

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

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

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

With effect from 01 July 2016, FED on services provided or rendered by non-banking financial institutions dealing in services which are subject to provincial sales tax has been withdrawn by the Finance Act, 2016.

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 01, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs 8.639 million is being retained in these financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been made, the Net Asset Value of the Fund as at June 30, 2018 would have been higher by Re 0.3376 (2017: Re 0.4408) per unit.

- 11.2** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, was required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies and their CISs whereby it was contested that mutual funds should be excluded from the ambit of 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 had taken up the matter with the Sindh Finance Ministry to have CISs / mutual funds excluded from the applicability of SWWF. In view of the above developments regarding the applicability of SWWF on CISs/mutual funds, the MUFAP recommended that as a matter of abundant caution provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015).

Had the provision for SWWF not been recorded in the financial statements of the Fund for the period from May 21, 2015 to June 30, 2018, the net asset value of the Fund as at June 30, 2018 would have been higher by Re. 0.1845 per unit (2017: Re 0.0982).

12 CONTINGENCIES & COMMITMENTS

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

	2018	2017
	(Rupees in '000)	
13 AUDITORS' REMUNERATION		
Annual audit fee	329	313
Half yearly review fee	171	162
Other certifications	108	114
Out of pocket expenses	47	42
	655	631

14 TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2018 is 1.22% (2017: 1.42%) which includes 0.29% (2017: 0.30%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as a income scheme.

15 TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders as cash dividend. Furthermore, regulation 63 of the NBFC Regulations, requires the Fund to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the Management Company has distributed the income earned by the Fund during the year to the

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

unit holders in the manner as explained above, no provision for taxation has been made in these financial statements.

16 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

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

	2018 (Rupees in '000)	2017
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company (including indirect taxes)	19,713	7,370
Allocated expense and related taxes	3,135	1,174
Shariah advisory fee	900	900
MCB Bank Limited - Parent of the Management Company		
Profit on bank balances	51	58
Sale of investments having a face value Nil (2017: Rs 150 million)	-	151,182
Bank charges	79	36
MCB Islamic Bank Limited		
Profit on bank balances	32	
Silk Bank Limited		
Profit on bank balances	40,442	-
Bank charges	19	-
Central Depository Company of Pakistan Limited - Trustee		
Remuneration of the Trustee (including indirect taxes)	3,625	1,935
Adamjee Life Assurance Company Limited (Amanat Fund)		
Issue of 1,612,570 units (2017: 2,769,866 units)	165,600	286,150
Redemption of 1,731,888 units (2017: 3,534,537 units)	179,506	366,951
Fatima Fertilizer Company Limited Workers Gratuity Fund - Retirement Benefit Scheme of a group company		
Issue of Nil units (2017: 112,499 units)	-	11,683
Redemption of Nil units (2017: 178,996 units)	-	18,723
Dividend paid	-	1,064
Adamjee Life Assurance Company Limited (MAZAAF Fund)		
Issue of 360,167 units (2017: Nil units)	37,000	-
Redemption of 360,167 units (2017: Nil units)	37,352	-

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

	Note	2018 (Rupees in '000)	2017
Alhamra Islamic Active Allocation Fund (Plan I)			
Issue of 18,695,068 units (2017: 13,257,628 units)		1,946,896	1,335,901
Redemption of 18,030,717 units (2017: 7,105,644 units)		1,876,896	716,039
Alhamra Islamic Active Allocation Fund (Plan II)			
Issue of 14,906,564 units (2017: 495,648 units)		1,539,091	50,000
Redemption of 11,436,373 units (2017: Nil units)		1,190,591	-
Directors and key management personnel of the Management Company			
Issue of 237,989 units (2017: 554,096 units)		24,653	57,508
Redemption of 237,253 units (2017: 513,541 units)		24,607	53,725
Dividend paid		-	264
Mandate under Discretionary Portfolio Services			
Issue of 543,092 units (2017: 1,852,711 units)		55,832	192,745
Redemption of 548,808 units (2017: 1,437,643 units)		56,510	151,267
Dividend paid		-	1,859
Next Capital Limited			
Brokerage expense	16.3	49	-
16.2 Details of balances with related parties / connected persons as at year end			
MCB-Arif Habib Savings and Investments Limited - Management Company			
Management remuneration payable		1,788	784
Sindh sales tax payable on management remuneration		232	102
Front-end load payable		68	22
Sales tax on front end load		10	3
Payable against Shariah advisory fee		75	75
Payable against allocated expenses		247	112
Receivable against sale of units		1,495	-
MCB Bank Limited - Parent of the Management Company			
Bank balances		5,355	6,838
Front-end load payable		8	22
MCB Islamic Bank Limited			
Bank balances		16	-
Profit receivable on bank balances		9	-
Silk Bank Limited			
Bank balances		814,236	-
Profit receivable on bank balances		9,497	-
Central Depository Company of Pakistan Limited - Trustee			
Trustee remuneration payable		281	163
Sindh Sales Tax payable on trustee remuneration		36	21
Security deposit		100	100
Adamjee Life Assurance Company Limited (Amanat Fund)			
Outstanding Nil units (2017: 119,318 units)		-	12,060

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

	Note	2018 (Rupees in '000)	2017
Directors and key management personnel of the Management Company			
Outstanding 40,361 units (2017: 88,426 units)		4,282	8,938
Mandate under Discretionary Portfolio Services			
Outstanding 655,422 units (2017: 748,015 units)		69,535	75,606
Alhamra Islamic Active Allocation Fund (Plan I)			
Outstanding 6,816,335 units (2017: 6,151,984 units)		723,157	621,815
Alhamra Islamic Active Allocation Fund (Plan II)			
Outstanding 3,965,839 units (2017: 495,648 units)		420,743	50,098

- 16.3** The amount disclosed represents the amount of brokerage expense incurred against related parties / 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 related parties / connected persons.

17 FINANCIAL INSTRUMENTS BY CATEGORY

As at June 30, 2018, all the financial assets carried on the statement of assets and liabilities are categorised either as loans and receivables or financial assets at fair value through profit or loss. All the financial liabilities carried on the statement of assets and liabilities are categorised as financial liabilities measured at amortised cost.

Particulars	June 30, 2018		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	----- (Rupees in '000) -----		
Financial assets			
Bank balances	1,981,855	-	1,981,855
Investments		722,449	722,449
Profit receivable	32,048	-	32,048
Deposit and other receivable	1,595	-	1,595
	<u>2,015,498</u>	<u>722,449</u>	<u>2,737,947</u>

Particulars	June 30, 2018		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
	----- (Rupees in '000) -----		
Financial liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	2,188	2,188
Payable to Central Depository Company of Pakistan Limited - Trustee	-	281	281
Accrued expenses and other liabilities	-	717	717
Advance against issuance of units	-	-	-
	<u>-</u>	<u>3,186</u>	<u>3,186</u>

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

Particulars	June 30, 2017		
	Loans and receivables	Financial assets 'at fair value through profit or loss'	Total
	(Rupees in '000)		
Financial assets			
Bank balances	971,901	-	971,901
Investments	220,000	847,558	1,067,558
Profit receivable	12,942	-	12,942
Deposit and other receivable	100	-	100
	<u>1,204,943</u>	<u>847,558</u>	<u>2,052,501</u>

Particulars	June 30, 2017		
	Liabilities 'at fair value through profit or loss'	Financial liabilities measured at amortised cost	Total
	(Rupees in '000)		
Financial liabilities			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	-	996	996
Payable to Central Depository Company of Pakistan Limited - Trustee	-	163	163
Accrued expenses and other liabilities	-	662	662
Advance against issuance of units	-	54,583	54,583
	<u>-</u>	<u>56,404</u>	<u>56,404</u>

18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

18.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

18.1.1 Currency risk

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

18.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2018, the Fund is exposed to such risk on its balances held with banks, sukuk certificates and investments in government securities. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

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

	Note	2018 (Rupees in '000)	2017
Variable rate instrument (financial asset)			
Bank balance	4	1,973,916	952,302
Government securities - Government of Pakistan (GoP) Ijara sukuks	5.1.1	37,141	548,651
Sukuk certificates- Unlisted	5.1.2	685,308	298,907
		<u>2,696,365</u>	<u>1,799,860</u>
Fixed rate instruments (financial assets)			
Certificates of modaraba	5.4	-	100,000
Certificates of musharika	5.5	-	120,000
		<u>-</u>	<u>220,000</u>

a) Sensitivity analysis for variable rate instrument

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Rs 26.964 million (2017: Rs 17.999 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

b) Fair value sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased / decreased the income statement and statement of comprehensive income by Nil (2017: Rs 2.200 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

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.

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

Particulars	As at June 30, 2018					Total
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	
		Upto three months	More than three months and up to one year	More than one year		
	%	----- (Rupees in '000) -----				
On-balance sheet financial instruments						
Financial assets						
Bank balances	3.75% to 7.35%	1,973,916	-	-	7,939	1,981,855
Investments	5.51% to 8.30%	685,308	37,141	-	-	722,449
Profit receivable		-	-	-	32,048	32,048
Deposit and other receivable		-	-	-	1,595	1,595
Sub total		<u>2,659,224</u>	<u>37,141</u>	<u>-</u>	<u>41,582</u>	<u>2,737,947</u>
Financial liabilities						
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	2,188	2,188
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	281	281
Accrued expenses and other liabilities		-	-	-	717	717
Advance against issuance of units		-	-	-	-	-
Sub total		<u>-</u>	<u>-</u>	<u>-</u>	<u>3,186</u>	<u>3,186</u>
On-balance sheet gap		<u>2,659,224</u>	<u>37,141</u>	<u>-</u>	<u>38,396</u>	<u>2,734,761</u>
Total profit rate sensitivity gap		<u>2,659,224</u>	<u>37,141</u>	<u>-</u>	<u>38,396</u>	<u>2,734,761</u>
Cumulative profit rate sensitivity gap		2,659,224	2,696,365	2,696,365		

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

Particulars	As at June 30, 2017					Not exposed to yield rate risk	Total
	Effective yield / rate	Exposed to yield risk					
		Upto three months	More than three months and up to one year	More than one year			
	%	(Rupees in '000)					
On-balance sheet financial instruments							
Financial assets							
Bank balances	3.75% to 5.65%	952,302	-	-	19,599	971,901	
Investments	5.24% to 7.89%	298,907	220,000	548,651	-	1,067,558	
Profit receivable		-	-	-	12,942	12,942	
Deposit and other receivable		-	-	-	100	100	
Sub total		1,251,209	220,000	548,651	32,641	2,052,501	
Financial liabilities							
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company		-	-	-	996	996	
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	163	163	
Accrued expenses and other liabilities		-	-	-	662	662	
Advance against issuance of units		-	-	-	54,583	54,583	
Sub Total		-	-	-	56,404	56,404	
On-balance sheet gap		1,251,209	220,000	548,651	(23,763)	1,996,097	
Total profit rate sensitivity gap		1,251,209	220,000	548,651	(23,763)	1,996,097	
Cumulative profit rate sensitivity gap		1,251,209	1,471,209	2,019,860			

18.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

As at the reporting date, the Fund is not exposed to price risk as no equity securities are held by the Fund.

18.2 Credit risk

Credit risk represents the risk of a loss if counterparties fail to perform as contracted and arises principally from bank balances, investments, profit receivable and deposit and other receivable.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. In addition, the risk is managed through assignment of credit limits and by following strict credit evaluation criteria laid down by the Management Company. The Fund does not expect to incur material credit losses on its financial assets.

18.2.1 Exposure to credit risk

The maximum exposure to credit risk as at June 30, 2018 was as follows:

	2018		2017	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
Bank balances	1,981,855	1,981,855	971,901	971,901
Investments	722,449	685,308	1,067,558	518,907
Profit receivable	32,048	31,975	12,942	12,864
Deposit and other receivable	1,595	1,595	100	100
	2,737,947	2,700,733	2,052,501	1,503,772

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

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Rs 37.14 million (2017: Rs 548.65 million) including profit receivable on such government securities of Rs 0.07 million (2017: Rs 0.08 million) is not exposed to credit risk.

18.2.2 Bank balances

The Fund held bank balances at June 30, 2017 with banks having following credit ratings:

Rating	2018		2017	
	Rupees	%	Rupees	%
AAA	980,568	49.48%	11,783	1.21%
AA+	66	0.00%	21	0.00%
AA-	36,056	1.82%	657,874	67.69%
AA	-	0.00%	38	0.00%
A+	150,238	7.58%	46	0.00%
A-	814,236	41.09%	-	0.00%
A	691	0.03%	302,139	31.10%
	<u>1,981,855</u>	<u>100%</u>	<u>971,901</u>	<u>100.00%</u>

Above rates are on the basis of available ratings assigned by PACRA and JCR-VIS as of June 30, 2018.

18.2.3 Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect the group of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Details of the Fund's concentration of credit risk of financial instruments by economic sectors are as follows:

	2018		2017	
	Rupees	%	Rupees	%
Commercial banks	1,981,855	73.38%	1,296,160	86.19%
Fertilizers (investment in quoted sukuk certificates)	62,570	2.32%	97,856	6.51%
Chemicals (investment in quoted sukuk certificates)	79,096	2.93%	96,792	6.44%
Pharmaceutical (investment in quoted sukuk)	198,642	7.37%	-	-
Miscellaneous (investment in quoted sukuk)	345,000	12.77%	-	-
Central Depository Company of Pakistan Limited (security deposit)	100	0.00%	100	0.01%
Deposits and other receivables	1,495	0.06%	-	-
Fertilizers, chemicals, pharmaceutical and commercial banks (profit receivable on investment in quoted sukuk certificates)	31,975	1.18%	12,864	0.85%
	<u>2,700,733</u>	<u>100.00%</u>	<u>1,503,772</u>	<u>100.00%</u>

All financial assets of the Fund as at June 30, 2018 are unsecured and are not impaired.

18.3 Liquidity risk

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

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is therefore to invest the majority of its assets in short term instruments in order to maintain liquidity.

The Fund can borrow in the short term to ensure settlement. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates. However, no borrowing was required to be obtained by the Fund during the current year.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being

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

processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemptions during the year.

The table below summaries the maturity profile of the Fund's financial instruments. The analysis into relevant maturity groupings is based on the remaining period at the end of the reporting period to the contractual maturity date. However, the assets and liabilities that are receivable / payable on demand including bank balances have been included in the maturity grouping of one month.

	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
----- Rupees -----					
2018					
Financial assets					
Bank balances	1,981,855	-	-	-	1,981,855
Investments	-	-	37,141	685,308	722,449
Profit receivable	13,273	2,352	16,423	-	32,048
Deposit and other receivable	1,595	-	-	-	1,595
	1,996,723	2,352	53,564	685,308	2,737,947
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	2,188	-	-	-	2,188
Payable to Central Depository Company of Pakistan Limited - Trustee	281	-	-	-	281
Accrued expenses and other liabilities	717	-	-	-	717
	-	-	-	-	-
	3,186	-	-	-	3,186
Net assets	1,993,537	2,352	53,564	685,308	2,734,761
	Within 1 month	1 to 3 months	3 to 12 months	1 to 5 years	Total
----- Rupees -----					
2017					
Financial assets					
Bank balances	971,901	-	-	-	971,901
Investments	-	-	220,000	847,558	1,067,558
Profit receivable	12,942	-	-	-	12,942
Deposit and other receivable	100	-	-	-	100
	984,943	-	220,000	847,558	2,052,501
Financial liabilities					
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	996	-	-	-	996
Payable to Central Depository Company of Pakistan Limited - Trustee	163	-	-	-	163
Accrued expenses and other liabilities	662	-	-	-	662
Advance against issuance of units	54,583	-	-	-	54,583
	56,404	-	-	-	56,404
Net assets	928,539	-	220,000	847,558	1,996,097

18.4 Fair value measurement

Fair value is the amount for which an asset could be exchanged, or liability can be settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

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

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

Fair value of investments is determined as per the policy disclosed in note 3.2.5 to these financial statements.

Fair value hierarchy

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

- Level 1: Quoted price (unadjusted) in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at June 30, 2018 and June 30, 2017, the Fund held the following assets measured at fair values:

	As at June 30, 2018			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
'At fair value through profit or loss' - held for trading				
Government securities	-	37,141	-	37,141
Quoted sukuk certificates	-	685,308	-	685,308
	As at June 30, 2017			
	Level 1	Level 2	Level 3	Total
	Rupees in '000			
'At fair value through profit or loss' - held for trading				
Government securities	-	548,651	-	548,651
Quoted sukuk certificates	-	298,907	-	298,907

18.5 Unit holders' fund risk management

The Fund's objective when managing unit holders' funds is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders, to maintain a strong base of assets to meet unexpected losses or opportunities and to ensure reasonable safety of capital. The Fund manages its investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The capital structure depends on the issuance and redemption of units.

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

In accordance with the risk management policies as stated in note 18, the Fund endeavours to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings or disposal of investments where necessary.

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

19 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

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

S. No.	Name	Designation	Experience in years	Qualification
1	Muhammad Saqib Saleem	Chief Executive Officer	21	FCA & FCCA
2	Muhammad Asim	Chief Investment Officer	15	MBA & CFA
3	Awais Abdul Sattar	Head of research	7	MBA & CFA
4	Saad Ahmed	Asset Class specialist- Fixed Income	13	MBA
5	Syed Mohammad Usama Iqbal	Fund Manager - Fixed Income	15	B.Com

19.1 Syed Mohammad Usama Iqbal is the Manager of the Fund. He is also managing Pakistan Income Fund.

20 TRANSACTIONS WITH BROKERS / DEALERS

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2018.

S. No.	Particulars	Percentage
1	Next Capital Ltd	38.42%
2	Paramount Capital Pvt Ltd	21.43%
3	Bright Capital Pvt Ltd	18.31%
4	EFG Hermes Pakistan Ltd	14.61%
5	Js Global Capital Limited	6.35%
6	Pearl Securities Limited	0.60%
7	Summit Capital Pvt Ltd	0.28%
		<u>100.00%</u>

List of top 10 brokers by percentage of commission charged during the year ended June 30, 2017.

S. No.	Particulars	Percentage
1	Paramount Capital Private Limited	44.59%
2	Vector Capital Private Limited	23.14%
3	Magenta Capital Limited	8.92%
4	BMA Capital Management Limited	7.21%
5	Al Hoqani Securities and Investment Corporation Private Limited	4.73%
6	JS Global Capital Limited	4.46%
7	Invest Capital Markets Limited	4.40%
8	Summit Capital Private Limited	2.55%
		<u>100.00%</u>

21 PATTERN OF UNIT HOLDING

Category	As at June 30, 2018			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
			(Rupees in '000)	
Individuals	1,816	9,559,760	1,014,211	37.36%
Retirement funds	16	2,438,244	258,678	9.53%
Insurance companies	6	2,072,409	219,866	8.10%
Mutual funds	2	10,782,174	1,143,900	42.14%
Others	259	735,174	77,996	2.87%
	<u>2,099</u>	<u>25,587,761</u>	<u>2,714,651</u>	<u>100.00%</u>

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

Category	As at June 30, 2017			
	Number of unit holders	Number of units held	Net assets value of the amount invested	Percentage of total investment
(Rupees in '000)				
Individuals	1,465	8,777,938	887,236	44.77%
Associated company	1	119,318	12,060	0.61%
Retirement funds	20	1,627,173	164,467	8.30%
Insurance companies	4	1,827,861	184,752	9.33%
Mutual funds	2	6,647,632	671,913	33.92%
Non Banking Finance Companies (NBFCs)	2	509,165	51,464	2.60%
Others	7	91,499	9,248	0.47%
	1,501	19,600,586	1,981,140	100.00%

22 ATTENDANCE AT THE MEETINGS OF THE BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 134th, 135th, 136th, 137th, 138th, 139th, 140th, 141st and 142nd meeting of the Board of Directors were held on July 6, 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 the directors and other persons in the meetings is given below:

S. No.	Name	Number of meetings			Meetings not attended
		Held	Attended	Leave granted	
Directors					
1	Mian Muhammad Mansha	9	4	5	134th, 135th, 136th, 138th and 142nd
2	Nasim Beg	9	9	-	
3	Ahmed Jahangir	9	9	-	
4	Mirza Qamar Beg	9	7	2	138th and 142nd
5	Syed Salman Shah	9	7	2	134th and 138th
6	Haroun Rashid	9	6	3	135th, 136th and 142nd
7	Samad A Habib	9	5	4	134th, 136th, 138th and 139th
8	Muhammad Saqib Saleem	9	9	-	

23 CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements other than those resulting from changes as disclosed in note 3.9.

24 NON-ADJUSTING EVENTS AFTER REPORTING PERIOD

The Board of Directors in its meeting held on July 04, 2018 approved a cash dividend of Re. 4.9622 per unit for the month ended June 30, 2018. The financial statements of the fund for the year ended June 30, 2018 does not include the effect of this distribution which will be accounted for in the financial statements of the fund for the year ended June 30, 2019.

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

25 GENERAL

Figures have been rounded off to the nearest thousand rupees.

26 DATE OF AUTHORISATION FOR ISSUE

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

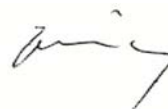
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



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
1847	0-10000	2,307,309
229	10001 - 100000	6,156,527
20	100001 - 1000000	5,003,836
3	1000001 - Onwards	12,120,089
<u>2099</u>		<u>25,587,761</u>

PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2018

Performance Information	2018	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	1,571	1,981	968.10	1,261.06	2,054.56
Net Assets value per unit – Rupees	106.0918	101.0756	100.6677	100.1908	100.0326
Closing Offer Price	107.8901	102.7888	102.7050	102.2366	102.0933
Closing Repurchase Price	106.0918	101.0756	100.6677	100.1908	100.0326
Highest offer price per unit	107.8901	108.5773	107.3622	108.6452	104.4741
Lowest offer price per unit	102.6957	102.4322	102.2435	102.0821	102.0179
Highest Redemption price per unit	106.0918	106.7676	105.2326	106.4712	102.3654
Lowest Redemption price per unit	100.9840	100.6998	100.2154	100.0394	99.9588
Distribution per unit – Rs. *		6.10	4.60	6.38	6.55
Average Annual Return - %					
One year	4.96	6.49	5.05	6.55	8.38
Two year	5.73	5.77	5.80	7.46	8.65
Three year	5.50	6.03	6.66	7.94	9.22
Net Income for the period – Rs. in million	137.15	51.183	36.58	63.75	182.73
Distribution made during the year – Rs. in million	-	42.949	32.07	61.76	182.06
Accumulated Capital Growth – Rs. in million	137.15	8.23	4.51	1.99	0.67
Weighted average Portfolio Duration (Days)	361	657	412	243	132

* Date of Distribution

2017	
Date	Rate
June 19, 2017	6.1

2016	
Date	Rate
June 27, 2016	4.6

2015	
Date	Rate
June 22, 2015	5.85
June 23, 2015	0.53

2014	
Date	Rate
September 27, 2013	1.83
December 27, 2013	2.36
March 27, 2014	2.37

Disclaimer

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

MCB-Arif Habib Savings and Investments Limited

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