



MCB-ARIF HABIB  
Savings and Investments Limited

AM2  
BY PACRA

# HALF YEAR REPORT

DECEMBER  
**2017**  
(UNAUDITED)

Half Year Report for Funds Under Management of  
MCB-Arif Habib Savings and Investments Limited

# **Alhamra Islamic Income Fund**

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## FUND'S INFORMATION

<b>Management Company</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	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
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Company Secretary</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Chief Financial Officer</b>	Mr. Abdul Basit	
<b>Trustee</b>	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	
<b>Bankers</b>	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 Dubai Islamic Bank Pakistan Limited Al-Baraka Bank Pakistan Limited Silk Bank Limited MCB Islamic Bank Limited	
<b>Auditors</b>	<b>A.F Ferguson &amp; Co.</b> Chartered Accountants (A Member Firm of PWC Network) State Life Building 1-C I.I. Chundrigar Road, Karachi.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	<b>AM2++</b> Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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**Dear Investor,**

On behalf of the Board of Directors, We are pleased to present Alhamra Islamic Income Fund's accounts review for the half year ended December 31st, 2017.

## **ECONOMY AND MONEY MARKET OVERVIEW**

Economic scorecard continued to remain mixed with real side still indicating strong growth momentum, while external side conversely showing the vulnerabilities. Growth momentum of the economy continued during the period with LSM growing at strong pace of ~6% YoY, bolstered by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), economy looks on track to approach 6% target GDP growth for FY18.

Provisional fiscal deficit for the 1HFY18 was recorded at ~2.5% of GDP, despite commendable tax collection. Tax Authorities managed to collect PKR 1.3 trillion during the period, showing an impressive growth of 20% compared to same period last year.

CPI for the first half averaged at a moderate level of 3.75% YoY, supported by lower oil prices, stable food prices and a higher base effect. However, as of late it had started to inch up as witnessed by Dec'17 figure of 4.57%, owing to rising oil prices and depreciating currency. As a result of the stable indicators, the monetary policy committee has to date maintained its status quo approach.

On the external side, trade deficit widened to alarming levels. The current account deficit (CAD) for the first 6 months clocked in at USD ~7.5 billion (up 59% YoY). Trade deficit for 1HFY18 reached USD 14.3 billion up ~26% YoY. Import registered an increase of ~19% during the 1HFY18, propelled by petroleum imports and an expansionary fiscal and monetary policy. On the flip side, the impact of textile package started to gain some momentum as textile exports grew by ~8% during 1HFY18, though insufficient to bridge the gap created by rising imports. Resultantly, the foreign exchange reserves declined by USD ~1.2 billion, despite USD 2.5 billion floated in international bond markets. PKR also depreciated by ~5% against USD indicating a much need attempt from government to address widening external account.

Money markets took clue from the rising inflation expectations as against all tenors, 3-months t-bills remained the most preferred play. Meanwhile, longer tenor PIBs remained out of favor with very low participation from financial institutions & banks in auctions.

## **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 4.53% as against its benchmark return of 2.46%, registering an outperformance of 2.07% during the period.

During the period, the fund had been decreasing its exposure in GoP Ijarah Sukuk, which stood at around 1.8% as compared to 27.4% at June 30, 2017. The fund was 17.8% invested in Certificate of Musharakah while most of the remaining exposure was in cash and Sukuk at relatively attractive rates.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 2,898 million as compared to Rs.1,981 million as at June 30, 2017 registering an increase of 46.29%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs. 103.3855 as compared to opening NAV of Rs. 101.0756 per unit as at June 30, 2017 registering an increase of Rs.2.3099 per unit.

## **FUTURE OUTLOOK**

Challenges continue to increase on both economic and political front and require comprehensive plan and undeterred focus to consolidate the improvements seen in last few years. Given the current pace of trade deficit and weak performance on remittances, we expect current account deficit to approach USD 17 billion for the FY18 which in our estimates indicate an additional financing need of near USD 5 billion.

Nevertheless, market valuations remain at a very attractive level as indicated by risk premiums (difference between earnings yield and 10-year interest rates) which are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 9.71x, at a steep discount of 40% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. While markets may react to overall happening events scheduled particularly in 2HFY18, we consider any weakness in the market as an opportunity to build long term exposures.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

### 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,



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Muhammad Saqib Saleem  
Chief Executive Officer  
February 23, 2018



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Nasim Beg  
Vice Chairman / Director

**ڈائریکٹرز رپورٹ**  
برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 2,898 ملین روپے تھے، جو 30 جون 2017 (1,981 ملین روپے) کے مقابلے میں 46.29% اضافہ ہے۔

31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 103.3855 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (101.0756 روپے فی یونٹ) کے مقابلے میں 2.3099 روپے فی یونٹ زیادہ ہے۔

**مستقبل کی صورتحال**

معاشی اور سیاسی، دونوں رخ پر مشکلات میں اضافہ ہو رہا ہے۔ چنانچہ حکومت کی مسلسل اور غیر متزلزل توجہ درکار ہے تاکہ گزشتہ کچھ برسوں میں جو بہتری دیکھی گئی ان کو منظم کیا جاسکے۔ تجارتی خسارے کی موجودہ رفتار اور ترسیل زر کی کمزور کارکردگی کو دیکھتے ہوئے ہم سمجھتے ہیں کہ مالی سال 2018ء میں کرنٹ اکاؤنٹ کا خسارہ 17 بلین ڈالر تک پہنچ جائے گا جس سے ہمارے اندازے کے مطابق تقریباً 5 بلین اضافی مالیت کی فراہمی کی ضرورت کی طرف اشارہ ہو رہا ہے۔

تاہم بازار کی قدر بہت پُرکشش سطح پر قائم ہیں، جیسا کہ رسک پریکٹس (آمدنی کے حجم اور دس سالہ انٹریسٹ کی شرحوں کے درمیان فرق) سے اشارہ ہوتا ہے، جواب تک کی اونچی ترین سطح پر ہیں، اور اس سے اندازہ ہوتا ہے کہ بازار بہت سستار ہے گا۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E پر ہوئی جو اس کے اُبھرتے ہوئے مارکیٹ peer گروپ سے 40% بھرپور رعایت ہے۔ مستحکم پیش رفت میں (i) روپے کی قدر میں کمی اور انٹریسٹ کی اونچی شرحیں، اور (ii) CPEC اور ٹیکسٹائل کے شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں، جن کو سیاسی صورتحال کے قطع نظر درمیانی مدت سے سبقت لے جانا چاہئے۔ اگرچہ مجموعی سطح پر، اور خاص طور پر نصف آخر 2018 میں، طے شدہ واقعات کے عمل میں آنے پر مارکیٹ کارڈ عمل ظاہر ہو سکتا ہے، ہم مارکیٹ کی کسی بھی کمزوری کو طویل المیعاد تجربات کا موقع سمجھتے ہیں۔

مقررہ آمدنی کی جہت میں توقع ہے کہ مارکیٹ خارجی اکاؤنٹ کی خطرناک صورتحال اور افراط زر کی سطح میں اضافے کی بنیاد پر محتاط رہے گی۔ معاشی رخ، خاص طور پر ادائیگیوں کے توازن کی واضح تصویر سے مقررہ آمدنی کی مارکیٹس میں مزید شرکت کی طرف راہنمائی ہوگی۔

**اظہار تشکر**

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees 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  
وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
23 فروری 2018ء

بورڈ آف ڈائریکٹرز کی جانب سے الحمر اسلامک انکم فنڈ کے 31 دسمبر 2017ء کو اختتام پذیر ہونے والے نصف سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

#### معیشت اور بازار کا مجموعی جائزہ

معاشی اعداد و شمار میں ملا جلا رجحان جاری رہا۔ حقیقی رُخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی رُخ کمزوریوں کو ظاہر کر رہا ہے۔ دورانِ مدت معیشت کی ترقی تیز تر ہوتی رہی۔ اسٹیل، گاڑیوں اور اشیائے خورد و نوش کے شعبے کی ترقی کے باعث LSM نے 6% YoY کی بھرپور رفتار سے ترقی کی۔ علاوہ ازیں، زرعی شعبے کی ترقی کے باعث (جس کی عکاسی کپاس، چینی اور گندم کی فصل کے بھرپور اعداد و شمار میں ہوتی ہے) معیشت مالی سال 2018ء میں مجموعی ملکی پیداوار میں 6% ترقی کے ہدف کے حصول کی جانب گامزن نظر آ رہی ہے۔

پراوٹنل اقتصادی خسارہ برائے نصف اول 2018 قابلِ تحسین ٹیکس وصولی کے باوجود مجموعی ملکی پیداوار کا 2.5% تھا۔ ٹیکس ادارے دورانِ مدت 1.3 ٹریلین روپے جمع کر سکے، جو سالِ گزشتہ کی اسی مدت کے مقابلے میں 20% ترقی ہے۔

CPI کا اوسط برائے نصف اول 3.75% YoY کے درمیانے درجے پر تھا، جس کی پشت پناہی تیل کی پست قیمتوں، اشیائے خورد و نوش کی مستحکم قیمتوں اور اونچے base effect سے ہوئی۔ تاہم حال ہی میں اس میں اضافہ شروع ہو گیا تھا جیسا کہ دسمبر 2017ء کو 4.57% سے ظاہر ہے، جس کی وجوہات تیل کی بڑھتی ہوئی قیمتیں اور روپے کی گھٹتی ہوئی قدر ہیں۔ مستحکم اشاروں کے نتیجے میں مانیٹری پالیسی کمیٹی تاحال اپنے سابقہ لائحہ عمل پر قائم ہے۔

خارجی رُخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے ابتدائی 6 ماہ 7.5 بلین ڈالر تھا (YoY 59% اضافہ)۔ پہلی ششماہی 2018ء میں تجارتی خسارہ 14.3 ڈالر تک پہنچ گیا، جو 26% YoY اضافہ ہے۔ نصف اول 2018ء کے دوران درآمدات میں 19% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب ٹیکسٹائل پیکج کے اثرات نے کچھ رفتار پکڑی اور 2018ء کی پہلی ششماہی کے دوران ٹیکسٹائل کی درآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی درآمدات سے پیدا ہونے والی خلیج کو پر کرنے کے لئے ناکافی تھا۔ نتیجتاً، غیر ملکی زرمبادلہ کے ذخائر میں 1.2 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر کی گردش ہوئی۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں روپے کی قدر میں 5% کمی ہوئی، جس سے وسعت پذیر خارجی اکاؤنٹ پر حکومتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

افراطِ زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازارِ زر کے لئے اشارہ تھا۔ سہ ماہانہ ٹی بلز کو سب سے زیادہ ترجیح کیا گیا، جبکہ طویل المیعاد پاکستان انویسٹمنٹ بانڈز (PIBs) سب سے کم مقبول رہے کیونکہ ان کو نیلامی میں مالیاتی اداروں اور بینکوں سے بہت محدود پذیرائی حاصل ہوئی۔

#### فنڈ کی کارکردگی

زیرِ جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.53% تھا، جو مقررہ معیار 2.46% کے مقابلے میں 2.07% زیادہ ہے۔ دورانِ مدت فنڈ کی حکومتِ پاکستان کے اجارہ سُکک میں شمولیت کو کم کرتے کرتے تقریباً 1.8% پر لے آیا گیا، جبکہ 30 جون 2017 کو 27.4% تھی۔ فنڈ کی سرمایہ کاری 17.8% سٹوکیٹ آف مشارکہ میں تھی جبکہ باقی کے بڑے حصے کی سرمایہ کاری نقد اور سُکک میں نسبتاً پُرکشش شرحوں پر تھی۔



## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

CDC House, 99-B, Block 'B',  
S.M.C.H.S. Main Shahr-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### ALHAMRA ISLAMIC INCOME FUND (FORMERLY MCB ISLAMIC INCOME FUND)

#### Report of the Trustee pursuant to Regulation 41(h) 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 six months period ended December 31, 2017 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: February 22, 2018



## AUDITOR'S REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



A.F.FERGUSON&Co.

### INDEPENDENT AUDITORS' REPORT ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION TO THE UNIT HOLDERS

#### Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **Alhamra Islamic Income Fund** (formerly: MCB Islamic Income Fund) (the Fund) as at December 31, 2017 and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement together with the notes forming part thereof (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2017. The Management Company (MCB-Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review. The figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarters ended December 31, 2017 and December 31, 2016 have not been reviewed, as we are required to review only the cumulative figure for the half year ended December 31, 2017.

#### Scope of Review

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity." A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

#### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

#### Chartered Accountants

Engagement Partner: **Noman Abbas Sheikh**

**Dated: February 26, 2018**

**Karachi**

A. F. FERGUSON & CO., Chartered Accountants, a member firm of the PwC network  
State Life Building No. 1-C, I.I. Chundrigar Road, P.O. Box 4716, Karachi-74000, Pakistan  
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■ KARACHI ■ LAHORE ■ ISLAMABAD

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2017

	Note	December 31, 2017 (Un-audited) (Rupees in '000)	June 30, 2017 (Audited)
<b>ASSETS</b>			
Balances with banks	4	861,800	971,901
Investments	5	2,020,311	1,067,558
Profit receivable		34,887	12,942
Deposits, prepayments and other receivables		479	252
<b>Total assets</b>		<b>2,917,477</b>	<b>2,052,653</b>
<b>LIABILITIES</b>			
Payable to the Management Company	6	2,103	1,098
Payable to the Trustee		322	184
Payable to the Securities and Exchange Commission of Pakistan		965	779
Advance against issuance of units		-	54,583
Accrued expenses and other liabilities	7	15,845	14,869
<b>Total liabilities</b>		<b>19,235</b>	<b>71,513</b>
<b>NET ASSETS</b>		<b>2,898,242</b>	<b>1,981,140</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>2,898,242</b>	<b>1,981,140</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	8		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>28,033,344</b>	<b>19,600,586</b>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>		<b>103.3855</b>	<b>101.0756</b>
<b>FACE VALUE PER UNIT</b>		<b>100.0000</b>	<b>100.0000</b>

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

	Note	Half year ended December 31		Quarter ended December 31	
		2017	2016	2017	2016
		----- (Rupees in '000) -----			
<b>Income</b>					
Income from government securities		5,467	8,601	491	2,543
Income from unlisted debt securities - sukuk certificates		19,048	4,596	12,294	2,613
Profit on commercial papers		89	-	89	-
Profit on balances with banks		35,207	13,034	13,990	7,741
Profit on musharika certificates		17,050	1,967	17,050	1,967
Back end load		-	2	-	-
(Loss) / gain on sale of investments - net		(1,162)	2,472	2,038	2,413
Unrealised (diminution) / appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	5.7	(1,481)	3,826	(2,394)	2,698
<b>Total income</b>		<b>74,218</b>	<b>34,498</b>	<b>43,558</b>	<b>19,975</b>
<b>Expenses</b>					
Remuneration of the Management Company	6.1	7,584	3,346	4,306	1,894
Sindh Sales Tax on remuneration of the Management Company	6.2	986	435	560	246
Allocated expenses	6.3	1,453	579	807	292
Remuneration of the Trustee		1,522	862	822	433
Sindh Sales Tax on remuneration of the Trustee		198	112	107	56
Annual fee of the Securities and Exchange Commission of Pakistan		965	385	536	195
Auditors' remuneration		339	329	164	166
Securities transaction cost		105	59	44	37
Settlement and bank charges		113	70	52	29
Legal and professional charges		91	30	37	15
Shariah advisory fee		450	450	225	225
Provision against Sindh Workers' Welfare Fund		1,205	-	717	-
Others		140	252	9	123
<b>Total expenses</b>		<b>15,151</b>	<b>6,909</b>	<b>8,386</b>	<b>3,711</b>
<b>Net income from operating activities</b>		<b>59,067</b>	<b>27,589</b>	<b>35,172</b>	<b>16,264</b>
Net element of loss and capital losses included in the prices of units issued less those in units redeemed:					
- Arising from capital gain and unrealised gain		-	(949)	-	(968)
- Arising from other income		-	(3,640)	-	(3,701)
		-	(4,589)	-	(4,669)
<b>Net income for the period before taxation</b>		<b>59,067</b>	<b>23,000</b>	<b>35,172</b>	<b>11,595</b>
Taxation	11	-	-	-	-
<b>Net income for the period after taxation</b>		<b>59,067</b>	<b>23,000</b>	<b>35,172</b>	<b>11,595</b>
<b>Earnings per unit</b>	12				
<b>Allocation of net income for the period</b>					
Net income for the period after taxation		59,067		35,172	
Income already paid on units redeemed		(15,463)		(15,463)	
		<u>43,604</u>		<u>19,709</u>	
<b>Accounting income available for distribution</b>					
- Relating to capital gains		-		-	
- Excluding capital gains		43,604		19,709	
		<u>43,604</u>		<u>19,709</u>	

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
**Chief Executive Officer**

  
\_\_\_\_\_  
**Chief Financial Officer**

  
\_\_\_\_\_  
**Director**

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

	Note	Half year ended December 31		Quarter ended December 31	
		2017	2016	2017	2016
		----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>		<b>59,067</b>	23,000	<b>35,172</b>	11,595
<b>Other comprehensive income:</b>					
<i>Items that may be reclassified subsequently to income statement</i>					
Unrealised diminution in investments classified as 'available for sale'		-	(114)	-	(204)
<b>Total comprehensive income for the period</b>		<b>59,067</b>	22,886	<b>35,172</b>	11,391

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Note	Half year ended	
	December 31, 2017	December 31, 2016
	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	59,067	23,000
<b>Adjustments for:</b>		
Unrealised diminution / (appreciation) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	1,481	(3,826)
Net element of loss and capital losses included in prices of units issued less those in units redeemed		
- arising from capital (gain) / loss and unrealised (gain) / loss	-	949
- arising from other loss / (income)	-	3,640
	-	4,589
	60,548	23,763
<b>(Increase) / decrease in assets</b>		
Investments - net	(704,234)	404,841
Profit receivable	(21,945)	(3,375)
Deposits, prepayments and other receivables	(227)	111
	(726,406)	401,577
<b>Decrease in liabilities</b>		
Payable to the Management Company	1,005	262
Payable to the Trustee	138	13
Payable to the Securities and Exchange Commission of Pakistan	186	(452)
Advance against issue of units	(54,583)	-
Accrued expenses and other liabilities	976	(3,308)
	(52,278)	(3,485)
<b>Net cash (used in) / generated from operating activities</b>	(718,136)	421,855
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issue of units	3,691,418	597,144
Payments against redemption of units	(2,833,383)	(672,895)
<b>Net cash generated from / (used in) financing activities</b>	858,035	(75,751)
<b>Net increase in cash and cash equivalents</b>	139,899	346,104
Cash and cash equivalents at the beginning of the period	971,901	270,361
<b>Cash and cash equivalents at the end of the period</b>	13 1,111,800	616,465

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31, 2017			Half year ended December 31, 2016
	(Rupees in '000)			
	Capital Value	Undistributed income	Unrealised (losses) / gains on available for sale investment	Total
<b>Net assets at beginning of the period</b>	1,959,537	21,603	-	1,981,140
Issue of 36,232,231 units (2016: 5,433,167 units):				
- Capital value (at net asset value per unit at the beginning of the period)	3,662,194	-	-	3,662,194
- Element of income	29,224	-	-	29,224
	3,691,418	-	-	3,691,418
Redemption of 27,799,473 units (2016: 6,732,931 units):				
- Capital value (at net asset value per unit at the beginning of the period)	2,809,849	-	-	2,809,849
- Element of loss	8,071	15,463	-	23,534
	2,817,920	15,463	-	2,833,383
Net element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	4,589
Total comprehensive income for the period	-	59,067	-	59,067
Distributions during the period	-	-	-	-
Net income for the period less distribution	-	59,067	-	59,067
<b>Net assets as at the end of the period</b>	<b>2,833,035</b>	<b>65,207</b>	<b>-</b>	<b>2,898,242</b>
<b>Distribution for the period</b>				
<b>Undistributed income brought forward comprises of:</b>				
- Realised Gain		9,278		12,157
- Unrealised Gain / (Loss)		12,325		(5,329)
		21,603		6,828
Accounting income available for distribution:				
- Relating to capital gains		-		-
- Excluding capital gains		43,604		43,604
Net income for the period after taxation		-		23,000
Interim distributions during the period - cash distribution		-		-
<b>Undistributed income carried forward</b>		<b>65,207</b>		<b>29,828</b>
<b>Undistributed income carried forward comprises of:</b>				
- Realised Gain		66,688		27,356
- Unrealised (Loss) / Gain		(1,481)		2,472
		65,207		29,828
			(Rupees)	(Rupees)
Net assets value per unit as at beginning of the period			101.0756	100.6677
Net assets value per unit as at end of the period			103.3855	103.4267

The annexed notes 1 to 17 form an integral part of this condensed interim financial information.

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

  
\_\_\_\_\_  
**Chief Executive Officer**

  
\_\_\_\_\_  
**Chief Financial Officer**

  
\_\_\_\_\_  
**Director**



# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 1 LEGAL STATUS AND NATURE OF BUSINESS

Alhamra 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/ACMW/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. It offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering them to the Fund. The 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 a long-term rating of "AM2++" with a stable outlook (June 30, 2017: AM2++) to the Management Company on December 28, 2017

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

**2.1.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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 directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of the IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

**2.1.2** The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Fund for the year ended June 30, 2017.

**2.1.3** In compliance with schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2017.

**2.1.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at December 31, 2017 have been extracted from the audited financial statements of the Fund for the year ended June 30, 2017, whereas the comparatives in the condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement have been extracted from the unaudited condensed interim financial information of the Fund for the half-year ended December 31, 2016.



## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

### 3 SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES AND JUDGMENTS AND CHANGES THEREIN

- 3.1 The accounting policies adopted and the methods of computation of balances used in the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2017 except for changes in accounting policies as explained in note 3.2.
- 3.2 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 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 element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed to the extent that was represented by distributable income earned during the year was recognised in the income statement and the element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed represented by distributable income carried forward from prior periods was included in the distribution 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 disclosure 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 been recognised as per the previous accounting policy, the income of the Fund would have been higher by Rs 0.2197 million net off charge for SWWF in respect of element of loss and consequently NAV per unit would have been lower by Rs 0.0002. 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.

- 3.3 The preparation of this condensed interim financial information in conformity with the approved accounting standards 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 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 assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods.

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation of uncertainty were the same as those that were applied in the audited annual financial statements as at and for the year ended June 30, 2017.

- 3.4 The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Fund for the year ended June 30, 2017.
- 3.5 **Amendments to published approved accounting standards that are effective in the current period**

There are certain amendments to the approved accounting standards that are mandatory for the Fund's annual accounting period beginning on July 1, 2017. However, these do not have any significant impact on the Fund's operations and, therefore, have not been detailed in this condensed interim financial information.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 3.6 Standards, interpretations and amendments to published approved accounting standards that are not yet effective

During the current period the SECP has adopted IFRS 9: 'Financial Instruments' and IFRS 15: 'Revenue from Customers', which are applicable with effect from January 1, 2018. The management is currently assessing the impacts of these standards on the Fund's future financial statements. There are certain other new standards, interpretations and amendments to the approved accounting standards that are mandatory for the Fund's annual accounting periods beginning on or after July 1, 2018. However, these are not expected to have any significant impacts on the Fund's operations and are, therefore, not detailed in this condensed interim financial information.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		------(Rupees in '000)-----	
<b>4 BALANCES WITH BANKS</b>			
In savings accounts	4.1	850,065	952,302
In current accounts	4.2	11,735	19,599
		<u>861,800</u>	<u>971,901</u>

**4.1** These carry profit at rates ranging between 5.25% to 6.60% (June 30, 2017: 3.75% to 5.65%) per annum and include Rs 2.151 million (June 30, 2017: Rs 2.05 million) maintained with MCB Bank Limited, a related party of the Fund.

**4.2** The amount includes a balance of Rs 8.338 million (June 30, 2017: Rs 4.7 million) maintained with MCB Bank Limited, a related party of the Fund.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
		------(Rupees in '000)-----	
<b>5 INVESTMENTS</b>			
<b>Financial assets 'at fair value through profit and loss'</b>			
- Government securities - Government of Pakistan (GoP) Ijara Sukuks	5.1	53,852	548,651
- Quoted sukuk certificates	5.2	307,750	298,907
		<u>361,602</u>	<u>847,558</u>
<b>Advance against IPO of sukuk certificates</b>	5.3	545,000	-
<b>Loans and receivables</b>			
- Commercial papers	5.4	144,709	-
- Certificates of modaraba	5.5	519,000	100,000
- Certificates of musharika	5.6	450,000	120,000
		<u>1,113,709</u>	<u>220,000</u>
		<u>2,020,311</u>	<u>1,067,558</u>

## 5.1 Government securities - Government of Pakistan (GoP) Ijara sukuks - held for trading

Issue date	Tenor	Face value				As at December 31, 2017			Market value as a percentage of net assets	Market value as a percentage of total investments
		As at July 1, 2017	Purchased during the period	Disposed / matured during the period	As at December 31, 2017	Carrying value	Market value	Appreciation / (diminution)		
----- (Rupees in '000) -----										
December 18, 2015	3 years	-	50,000	-	50,000	50,306	50,355	49	1.74%	2.49%
June 30, 2017	3 years	545,000	-	541,500	3,500	3,520	3,497	(23)	0.12%	0.17%
Total as at December 31, 2017						53,826	53,852	26		
Total as at June 30, 2017						545,000	548,651	3,651		

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

5.1.1 These carry profit between the rates of 5.2400% to 5.5109% (June 30, 2017: 5.24) per annum and will mature on December 18, 2018 and June 30, 2020 (June 30, 2017: June 30, 2020).

## 5.2 Quoted sukuk certificates - held for trading

Issuer	Number of certificates				As at December 31, 2017			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 period	Disposed / matured during the period	As at December 31, 2017	Carrying value	Market value	Appreciation / (diminution)			
----- (Rupees in '000) -----										
Engro Fertilizers Limited (face value Rs 5,000 each)	23,600	-	-	23,600	85,624	84,586	(1,038)	2.92%	4.19%	3.69%
Meezan Bank Limited (face value Rs 1,000,000 each)	100	-	-	100	104,259	103,836	(423)	3.58%	5.14%	1.43%
Ghani Gases Limited (face value Rs 1,000,000 each)	1,000	-	-	1,000	88,375	87,783	(592)	3.03%	4.35%	7.69%
Dubai Islamic Bank Pakistan Limited (face value Rs 1,000,000 each)	-	156	125	31	31,000	31,545	545	1.09%	1.56%	0.78%
<b>Total as at December 31, 2017</b>					<u>309,258</u>	<u>307,750</u>	<u>(1,508)</u>			
<b>Total as at June 30, 2017</b>					295,663	298,907	3,244			

5.2.1 These carry profit between the rates of 6.64% to 7.89% (June 30, 2017: 6.62% and 7.89%) per annum and will mature by July 09, 2019 to July 14, 2027 (June 30, 2017: July 09, 2019 to September 22, 2026).

## 5.3 Advance against IPO of Sukuk certificates

Issuer	Date of Deposit	Offered rate	Amount Deposited
International Brands Limited	October 03, 2017	12 month kibar + 0.50%	55,200
International Brands Limited	October 30, 2017	12 month kibar + 0.50%	289,800
Aspin Pharma Private Limited	November 30, 2017	3 month kibar + 1.50%	200,000
<b>Total as at December 31, 2017</b>			<u>545,000</u>
<b>Total as at June 30, 2017</b>			<u>-</u>

5.4 This commercial paper issued by Hascol Petroleum Limited has been purchased during the period carrying yield of 7.46% per annum maturing on June 29, 2018. At December 31, 2017, commercial paper represented 4.99% (June 30, 2017: Nil) of the total net assets of the Fund.

5.5 These carry profit at the rates ranging from 6.05% to 6.35% (June 30, 2017: 6.00%) per annum and maturities from January 10, 2018 to April 26, 2018 (June 30, 2017: January 10, 2018). At December 31, 2017, modarba certificates represented 17.91% (June 30, 2017: 5.05%) of the total net assets of the Fund.

5.6 These carry profit at the rates ranging from 5.80% to 7.00% (June 30, 2017: 6.30%) per annum and maturities from January 22, 2018 to June 29, 2018 (June 30, 2017: January 22, 2018). At December 31, 2017, musharika certificates represented 15.53% (June 30, 2017: 6.06%) of the total net assets of the Fund.

	Note	December 31, 2017 (Un-audited)	June 30, 2017 (Audited)
<b>5.7 Unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets at fair value through profit or loss -</b>		<b>(Rupees in '000)</b>	
Market value	5.1 & 5.2	361,602	847,558
Less: carrying value	5.1 & 5.2	<u>(363,084)</u>	<u>(840,663)</u>
		<u><b>(1,481)</b></u>	<u><b>6,895</b></u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

	<b>Note</b>	<b>December 31, 2017 (Un-audited)</b>	<b>June 30, 2017 (Audited)</b>
<b>6 PAYABLE TO THE MANAGEMENT COMPANY</b>			
		<b>(Rupees in '000)</b>	
Management remuneration payable	6.1	<b>1,543</b>	784
Sindh sales tax payable on management remuneration	6.2	<b>201</b>	102
Payable against allocated expenses	6.3	<b>250</b>	112
Sales load payable		<b>34</b>	25
Shariah advisor fee payable		<b>75</b>	75
		<b>2,103</b>	1,098

- 6.1** The Management Company has charged remuneration at a rate of 10% of daily gross income subject to a minimum of 0.25% of the average annual net assets and maximum of 1.5% of the average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.
- 6.2** During the period, Sindh Sales Tax on management remuneration has been charged at the rate of 13% (2016: 13%).
- 6.3** In accordance with Regulation 60 of the NBFC Regulations the Management Company has charged expenses at the rate of 0.1% of the average net assets of the Fund being lower than actual expenses chargeable to the Fund for the period.

	<b>Note</b>	<b>December 31, 2017 (Un-audited)</b>	<b>June 30, 2017 (Audited)</b>
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
		<b>(Rupees in '000)</b>	
Provision for Sindh Workers' Welfare Fund	7.1	<b>3,129</b>	1,924
Federal Excise Duty payable on management remuneration	7.2	<b>8,639</b>	8,639
Federal Excise Duty payable on sales load	7.2	<b>3,028</b>	3,028
Sales load payable to MCB Bank Limited - related party		<b>32</b>	22
Auditors' remuneration		<b>312</b>	446
Legal and professional charges		<b>109</b>	66
Brokerage payable		<b>22</b>	14
Printing charges payable		<b>50</b>	114
Capital gain tax payable		<b>136</b>	395
Others		<b>388</b>	221
		<b>15,845</b>	14,869

- 7.1** As a consequence of the 18th amendment to the Constitution of Pakistan, in May 2015 the Sindh Workers' Welfare Fund Act, 2014 (SWWF Act) had been passed by the Government of Sindh as a result of which every industrial establishment located in the Province of Sindh, the total income of which in any accounting year is not less than Rs 0.50 million, is required to pay Sindh Workers' Welfare Fund (SWWF) in respect of that year a sum equal to two percent of such income. The matter was taken up by the MUFAP with the Sindh Revenue Board (SRB) collectively on behalf of various asset management companies 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 has 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 Sindh WWF Act, 2014 (i.e. starting from May 21, 2015).

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Had the provision for SWWF not been recorded in the condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2017 would have been higher by Re 0.1116 per unit (June 30, 2017 0.0982 per unit).

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

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

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

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made till June 30, 2016 amounting to Rs 11.667 million is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at December 31, 2017 would have been higher by Re 0.4162 per unit (June 30, 2017: Re 0.5952 per unit).

### **8 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at December 31, 2017 and June 30, 2017.

### **9 NET ASSET VALUE PER UNIT**

The net asset value (NAV) per unit, as disclosed on the condensed interim Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the period / year end.

### **10 TOTAL EXPENSE RATIO**

The Total Expense Ratio (TER) of the Fund including government levies as on December 31, 2017 is 0.59% which includes 0.13% representing government levies on the Fund such as sales taxes, Sindh Workers' Welfare Fund and annual fee to the SECP.

### **11 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 intends to distribute atleast 90% of the Fund's net accounting income earned by the year end to the unit holders, no provision in respect of taxation has been made in this condensed interim financial information.

### **12 EARNINGS PER UNIT**

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

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December, 31
Note	2017      2016
	----- (Un-audited) ----- ----- (Rupees in '000) -----

## 13 CASH AND CASH EQUIVALENTS

Balances with banks	4	861,800	516,465
Certificates of modarba	5.5	250,000	100,000
		1,111,800	616,465

## 14 TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

**14.1** Related parties / connected persons of the Fund include the Management Company, its parent and the related subsidiaries of the parent, associated companies / undertakings of the Management Company, its parents and the related subsidiaries, other funds managed by the Management Company, post employment benefit funds of the Management Company, employment funds of the parent, subsidiaries and its associated undertakings. It also includes the Central Depository Company of Pakistan Limited being the Trustee of the Fund, the directors and officers of the Management Company and any person or Company beneficially owning directly or indirectly 10% or more of the units in issue / net assets of the Fund.

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

**14.3** 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.

**14.4** The details of transactions carried out by the Fund with connected persons / related parties and balances with them at the period end, other than those which have been disclosed elsewhere in this condensed interim financial information, are as follows:

### 14.5 Details of the transactions with related parties / connected persons during the period

#### Unit Holders' Fund Movement

	December 31, 2017 (Unaudited)									
	As at July 01, 2017	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at December 31, 2017	As at July 01, 2017	Issued for cash / conversion in / transfer in	Bonus	Redeemed / conversion out / transfer out	As at December 31, 2017
	----- Units -----					----- (Rupees in '000) -----				
<b>Associated</b>										
Adamjee Life Assurance Company Limited (Amanat Fund)	119,318	1,362,049	-	977,605	503,762	12,060	139,600	-	100,362	52,082
Alhamra Islamic Active Allocation Fund (Plan I)	6,151,984	6,279,296	-	5,672,021	6,759,259	621,816	640,000	-	575,000	698,810
Alhamra Islamic Active Allocation Fund (Plan II)	495,648	9,004,821	-	4,466,868	5,033,601	50,098	915,500	-	456,000	520,401
Adamjee Life Assurance Company Limited (Tameen)	-	52,994	-	-	52,994	-	5,450	-	-	5,479
Adamjee Life Assurance Company Limited (MAZAAF)	-	360,167	-	73,070	287,097	-	37,000	-	7,500	29,682
<b>Directors and executives of the Management Company</b>	92,783	344,196	-	338,277	98,702	9,378	35,256	-	34,702	10,204
<b>Mandate under Discretionary portfolio</b>	661,137	334,224	-	299,044	696,317	66,825	34,050	-	30,472	71,989

	December 31, 2016 (Unaudited)									
	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at December 31, 2016	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at December 31, 2016
	----- Units -----					----- (Rupees in '000) -----				
Associated										
Adamjee Life Assurance Company Limited (Amanat Fund)	883,989	1,354,041	-	2,133,599	104,431	88,989	138,800	-	220,200	10,801
Fatima Fertilizer Company Limited Workers Gratuity Fund - Retirement Benefit Scheme of a group company	66,497	43,946	-	51,895	58,548	6,694	4,510	-	5,322	6,055
Directors and executives of the Management Company	44,175	113,287	-	97,012	60,450	4,447	11,579	-	9,917	6,252



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

Other transactions	Half year ended	
	December 31	
	2017	2016
	----- (Un-audited) ----- ----- (Rupees in '000) -----	
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Remuneration of the Management Company	7,584	3,346
Sindh Sales Tax on remuneration of the Management Company	986	435
Allocated expenses (including indirect taxes)	1,453	579
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration of the Trustee	1,522	862
Sindh Sales Tax on remuneration of the Trustee	198	112
<b>MCB Bank Limited - Parent of the Management Company</b>		
Profit on bank balances	29	32
Bank charges	20	17
Sale of securities having a face value of Nil (2016: Rs 150,000,000)	-	151,183
	<b>December 31</b>	<b>June 30</b>
	<b>2017</b>	<b>2017</b>
	<b>(Un-audited)</b>	<b>(Audited)</b>
	----- (Rupees in '000) -----	
<b>14.6 Balances outstanding at period / year end:</b>		
<b>MCB-Arif Habib Savings and Investments limited</b>		
Remuneration payable to the Management Company	1,543	784
Sindh sales tax payable on remuneration of the Management Company	201	102
Sales load payable	34	25
Payable against allocated expenses	250	112
Shariah advisory fee payable	75	75
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable to the Trustee	285	163
Sindh sales tax payable on trustee fee	37	21
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balance	10,489	6,838
Sales load payable to MCB Bank Limited	32	22

**15 FAIR VALUE OF FINANCIAL INSTRUMENTS**

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.

Fair value of investments is determined as follows:

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- Fair value of listed equity securities is determined on the basis of closing market prices quoted on the respective stock exchange.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.
- Listed and unlisted debt securities, other than government securities, are valued on the basis of prices announced by the Mutual Funds Association of Pakistan (MUFAP), as per the method of valuation agreed with the Trustees of the Fund under the Rules. The MUFAP calculates these prices in accordance with the SECP's Circular 1 of 2009. The said circular prescribes a valuation methodology which, in case of currently traded securities, is based on weighted average prices during the 15 days preceding the valuation date and in case of thinly or non-traded securities, on the basis of discount coupon method which takes into consideration credit risk and maturities of the instruments.
- Fair value of future contracts are determined on the basis of closing market prices quoted on the stock exchange.
- The fair value of all other financial assets and financial liabilities of the Fund approximate their carrying amounts due to short term maturities of these instruments.

### 15.1 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: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities.
- Level 2: Fair value measurements using 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: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

As at December 31, 2017 and June 30, 2017 the Fund held the following financial instruments measured at fair value;

----- As at December 31, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>ASSETS</b>				
<b>investments - 'at fair value through profit and loss'</b>				
- Government securities - GoP ijara sukuks	-	53,852	-	53,852
- Quoted sukuk certificates	-	307,750	-	307,750
	-	361,602	-	361,602
----- As at June 30, 2017 -----				
	Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----				
<b>ASSETS</b>				
<b>investments - 'at fair value through profit and loss'</b>				
- Government securities - GoP ijara sukuks	-	548,651	-	548,651
- Quoted sukuk certificates	-	298,907	-	298,907
	-	847,558	-	847,558

During the half year ended December 31, 2017, there were no transfers between level 1 and level 2 fair value measurements, and no transfers into and out of level 3 fair value measurements.



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)  
FOR THE HALF YEAR ENDED DECEMBER 31, 2017**

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**16 GENERAL**

- 16.1** Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and disclosure. No significant rearrangements or reclassifications have been made in this condensed interim financial information, except for the impacts of change in accounting policies as disclosed in note 3.2.
- 16.2** Figures of the condensed interim income statement and condensed interim statement of comprehensive income for the quarter ended December 31, 2017 and December 31, 2016 have not been subjected to limited scope review by the statutory auditors of the Fund.
- 16.3** Figures have been rounded off to the nearest thousand Rupee unless otherwise stated.

**17 DATE OF AUTHORISATION FOR ISSUE**

This condensed interim financial information has been authorised for issue by the Board of Directors of the Management Company in the meeting held on February 23, 2018.

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



Chief Executive Officer



Chief Financial Officer



Director

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

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