



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2017
(UNAUDITED)

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



Alhamra Islamic Stock Fund

(Formerly: MCB Pakistan Islamic Stock 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
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member 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 Financial Officer & Company Secretary	Mr Abdul Basit	
Trustee	Centerl Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B'S.M.C.H.S Main Shahre-e-Faisal Karachi-74400.	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Bank Al-Habib Limited Allied Bank Limited Standard Chartered Bank Pakistan Limited Summit Bank Limited Habib Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Islami Pakistan Limited	
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Prograssive Plaza, Beaunmount Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.	
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Alhamra Islamic Stock Fund** (Formerly: MCB Pakistan Islamic Stock Fund) accounts review for the quarter ended September 30th, 2017.

EQUITIES MARKET OVERVIEW

The start of the new fiscal year was promising, as the local bourse continued to cherish the inclusion of Pakistan in the MSCI Emerging Market Index. The benchmark as measured by KSE-100 Index gained 7.3% during 1QFY17. While, the Indo-Pak border tension triggered some volatility in the market; overall, the Pakistan Stock Exchange continued its positive momentum, ending at all time high of 40,541 points at the end of September 2016.

Mutual funds and NBFC's were the major buyers during the quarter, buying USD 76 million and 36 million worth of equities respectively. While, foreigners remained net sellers of USD 38 million during the quarter, the selling was specifically limited to certain scrips. Liquidity in the market improved, with average trading volumes going up by 37%, increasing to 310 million shares compared to 226 million shares witnessed during the preceding quarter. A broad based rally in third tier stocks contributed significantly towards this strong volume increase during the end of quarter.

Auto Sector lead the charts during the quarter, gaining a massive 45% as strong demand outlook emanating from renewed interest in auto financing created exuberance. The launch of a new model by Honda also continued to capture investor attention as expectations of robust demand materialized. Alongside, some of the auto manufacturers raised their prices to pass on the earlier impact of yen's appreciation. Oil & Gas Marketing Companies also rallied by 22% during the period, as petroleum sales continued to beat market expectations. The sale of petroleum products broke all the records during the quarter, after they witnessed an increase of 20.6% YoY.

The index heavy weight Commercial Banks also managed to outperform the benchmark by posting a gain of 10%. Foreigners' interest was tilted towards Commercial Banks, after their inclusion in the Emerging Market Index. The performance of cement sector matched the benchmark as local dispatches kept posting growth in double digits. However, the price performance of the sector during the later part of the quarter was partly subdued, owing to skepticism on a wave of expansion announced by a large number of cement companies. Furthermore, potential acquisition of a local cement manufacturer by a Chinese player was viewed negatively by the investors.

On the flip side, Oil & Gas exploration sector underperformed the benchmark, posting a nominal gain of 3%. Underperformance came in after average international crude oil prices retreated by 2% during the quarter to USD 47/BBL. Fertilizer sector also underperformed due to rising urea inventories. ECC's approval for reduction in NFML's imported fertilizer prices also kept the investors interest at bay in the fertilizer sector. Alongside, lower than expected dividend by Engro Corp turned to be a major mood dampener for the sector.

FUND PERFORMANCE

During the period, PISF delivered a negative return of 11.18% as compared to a negative return of KMI 30 index of 9.10%. Overall equity exposure of the fund stood at 83.6% at the end of the period as compared to 74.2% at June 30, 2017. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period, the fund realigned its sector exposure by decreasing allocation in cash and increased its exposure in equities.

The Net Assets of the Fund as at September 30, 2017 stood at Rs. 2,938 million as compared to Rs. 2,915 million as at June 30, 2017 registering an increase of 0.79%.

The Net Asset Value (NAV) per unit as at September 30, 2017 was Rs.10.88 as compared to opening NAV of Rs.12.25 per unit as at June 30, 2017 registering a decrease of Rs. 1.37 per unit.

FUTURE OUTLOOK

With a more stabilized economy now on board, the government has unveiled an ambitious plan to revive the growth of the country. For the current fiscal year, the government is envisaging an ambitious growth target of 5.7% compared to 4.7% witnessed during the preceding year. The prospects of improvement in Pakistan's economy look increasingly promising on the back of improved power situation, rising business confidence, and initiation of projects under the USD 46 billion CPEC program.

The average Consumer Price Index is expected to remain below 5% for the year. Stability in oil prices & exchange rate would allow inflation over the next few quarters to remain well anchored in the range of 4.0%-5.0% thus a stable monetary policy environment looks likely.

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2017

As of recent, current account has remained vulnerable owing to weak exports and a slowdown in remittances. While this has been offset by strong financial inflows recently, further deterioration in external account can pose threat to the currency and could result in more than expected PKR depreciation, which we consider the only major risk to economy at this juncture of time.

The macro stability along with China Pakistan Economic Corridor is expected to provide impetus to the construction and power space. Furthermore, expansionary cycle along with stable interest rate environment is expected to provide better global positioning compared with other emerging market economies. Construction sector is expected to remain the proxy for infrastructure led economic growth.

Long term stability in oil prices is expected to provide impetus to exploration & production sector driven by exploration growth. Banks are expected to gain limelight once life after PIB maturity becomes clear and focus is on the attractive Price to Book ratios. The up gradation into the emerging markets index would remain a major impetus for KSE-100 index and could lead to re-rating of market towards higher multiples.

On the fixed income front, market is expected to remain cautious on back of uptick in inflation trajectory and cross border tensions. 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,



Muhammad Saqib Saleem
Chief Executive Officer
October 20, 2017



Samad A. Habib
Director

ڈائریکٹرز رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

عزیز سرمایہ کار

الحمد للہ اسلامک اسٹاک فنڈ (سابقہ: ایم سی بی پاکستان اسلامک اسٹاک فنڈ) کے بورڈ آف ڈائریکٹرز کی جانب سے 30 ستمبر 2017ء کو اختتام پذیر ہونے والی سہ ماہی کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

نئے مالی سال کا آغاز اُمید افزا تھا کیونکہ مقامی اسٹاک ایکسچینج نے پاکستان کی MSCI ایمرجنگ مارکیٹ انڈیکس میں شمولیت کا خیر مقدم جاری رکھا۔ کراچی اسٹاک ایکسچینج کے پیمائش کردہ انڈیکس میں مالی سال 2017ء کی پہلی سہ ماہی کے دوران 7.3 فیصد اضافہ ہوا۔ اگرچہ پاک بھارت سرحد پر کشیدگی کے سبب مارکیٹ میں تھوڑا بہت مد و جزر پیدا ہوا لیکن مجموعی طور پر پاکستان اسٹاک ایکسچینج کی مثبت پیش رفت جاری رہی اور ستمبر 2017ء کے اختتام پر 40,541 پوائنٹس کی تاحال بلند ترین سطح پر اختتام پذیر ہوئی۔

میوچل فنڈز اور NBFC's دوران سہ ماہی سب سے بڑے خریدار تھے جنہوں نے بالترتیب 76 ملین اور 36 ملین امریکی ڈالر مالیت کی ایکویٹیز خریدیں۔ اگرچہ غیر ملکی دوران سہ ماہی 38 ملین امریکی ڈالر کے net فروخت کا رہے، یہ خریداری خاص طور پر مخصوص scrips تک محدود رہی۔ مارکیٹ میں نقد اثاثہ جات کی دستیابی میں بہتری آئی اور اوسط تجارتی حجم 37 فیصد بلند ہو کر 310 ملین حصص ہو گئے جبکہ گزشتہ سہ ماہی میں 226 ملین حصص تھے۔ تیسرے درجے کے اسٹاکس میں وسیع پیمانے پر محیط اضافے نے اختتام سہ ماہی کے دوران حجم میں اس بھرپور اضافے میں اہم کردار ادا کیا۔

دوران سہ ماہی گاڑیوں کا شعبہ 45 فیصد ترقی کر کے صفِ اوّل میں رہا کیونکہ گاڑی کے لئے قرض کے نئے انٹریٹ کے نتیجے میں بھرپور مانگ نے رونق پیدا کر دی۔ ہنڈا کی جانب سے ایک نیا ماڈل متعارف ہونے کے باعث بھی سرمایہ کاروں کی توجہ حاصل ہونے کا سلسلہ جاری رہا کیونکہ بھرپور مانگ عمل میں آئی۔ ساتھ ساتھ گاڑیوں کے کچھ تیار کنندگان نے جاپانی ین کی قدر میں اضافے کے اثر کو آگے منتقل کرنے کے لئے قیمتوں میں اضافہ کر دیا۔ علاوہ ازیں، آئل اور گیس مارکیٹنگ کمپنیوں نے بھی دوران سہ ماہی 22 فیصد ترقی کی کیونکہ پٹرولیم کی فروخت کے مارکیٹ کی توقعات سے آگے بڑھنے کا سلسلہ جاری رہا۔ پٹرولیم مصنوعات کی فروخت میں دوران سہ ماہی 20.6 فیصد YoY اضافہ ہوا اور یوں تمام ریکارڈ ٹوٹ گئے۔

بھاری بھر کم انڈیکس کے حامل کمرشل بینک بھی 10 فیصد ترقی کر کے مقررہ معیار سے بہتر کارکردگی کا مظاہرہ کرنے میں کامیاب ہوئے۔ ایمرجنگ مارکیٹ انڈیکس میں کمرشل بینکوں کی شمولیت کے بعد غیر ملکیوں کی دلچسپی کمرشل بینکوں کی طرف مائل رہی۔ سیمنٹ کے شعبے کی کارکردگی مقررہ معیار کے مطابق تھی کیونکہ مقامی ترسیلات کی ترقی کے اعداد و شمار مسلسل بلند رہے۔ تاہم سیمنٹ کمپنیز کی بڑی تعداد کی اعلان کردہ توسیع کی لہر پر شکوک و شبہات کے باعث سہ ماہی کے اواخر کے دوران اس شعبے کی کارکردگی باعتبار قیمت پست رہی۔ مزید براں، ایک چینی ادارے کے ایک مقامی سیمنٹ مینوفیکچرر کے متوقع حصول کو سرمایہ کاروں نے منفی نظر سے دیکھا۔

ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

دوسری جانب آئل اینڈ گیس ایکسپلوریشن کے شعبے نے صرف 3% ترقی کر کے مقررہ معیار سے کم کارکردگی کا مظاہر کیا۔ اس ناقص کارکردگی کا آغاز اُس وقت ہوا جب خام تیل کی اوسط قیمتیں 2% کم ہو کر 47/BBL ڈالر ہو گئیں۔ کھاد کے شعبے نے بھی مقررہ معیار سے کم کارکردگی کا مظاہرہ کیا جس کی وجہ یورپا کے تجارتی ذخائر میں اضافہ ہے۔ ECC کی طرف سے NFML کی درآمد شدہ کھاد کی قیمتوں میں کمی کی منظوری کے باعث بھی کھاد کے شعبے میں سرمایہ کاروں کی دلچسپی کم رہی۔ مزید برآں، اینگرو کارپوریشن کا متوقع سے کم ڈیویڈنڈ بھی کھاد کے شعبے کی حوصلہ شکنی کا بڑا سبب بنا۔

فنڈ کی کارکردگی

دورانِ مدت فنڈ نے 11.18% منفی منافع حاصل کیا، جبکہ KMI 30 انڈیکس کا منفی منافع 9.10% تھا۔ ایکویٹی میں فنڈ کی مجموعی شمولیت اختتامِ مدت پر 83.6% کی سطح پر تھی، جبکہ 30 جون 2017ء کو 74.2% تھی۔ دورانِ سہ ماہی فنڈ نے کئی مرتبہ اپنی سرمایہ کاری کی حکمتِ عملی تبدیل کی تاکہ سیکٹر اور کمپنی کی سطح پر ہونے والی بنیادی نوعیت کی متعدد پیش رفت کے ساتھ مطابقت پیدا ہو۔ دورانِ مدت فنڈ نے نقد اور دیگر اثاثوں میں اپنی شمولیت میں اضافہ اور سیمنٹ اور دیگر ایکویٹیز میں اپنی شمولیت میں کمی کر کے سیکٹر میں اپنی شمولیت کو دوبارہ ہم آہنگ کیا۔

30 ستمبر 2017ء کو فنڈ کے net اثاثے 2,938 ملین روپے تھے، جبکہ 30 جون 2017ء کو 2,915 ملین روپے تھے، یعنی 0.79 فیصد اضافہ ہوا۔

30 ستمبر 2017ء کو Net Asset Value (NAV) فی یونٹ 10.88 روپے تھی، جبکہ 30 جون 2016ء کو ابتدائی NAV فی یونٹ 12.25 روپے تھی، یعنی 1.37 روپے فی یونٹ اضافہ ہوا۔

مستقبل کی صورتحال

معیشت کی صورتحال پہلے کے مقابلے میں مستحکم ہونے پر حکومت نے ملکی ترقی کے احیاء کا پُر جوش منصوبہ پیش کیا ہے۔ رواں مالی سال کے لئے حکومت نے 5.7% ترقی کا ہدف مقرر کیا ہے جبکہ گزشتہ برس یہ ہدف 4.7% تھا۔ پاکستانی معیشت میں بہتری کے امکانات بہت اُمید افزا نظر آتے ہیں جس کی بناءً بجلی کی بہتر صورتحال، کاروباری اعتماد میں اضافہ اور 46 بلین ڈالر کے CPEC پروگرام کے تحت پراجیکٹس کا آغاز ہے۔

اوسط کنٹریومر پرائس انڈیکس اس سال متوقع طور پر 5% سے کم رہے گا۔ تیل کی قیمتوں اور زر مبادلہ کی شرح میں استحکام کی بدولت افراطِ زر کو اگلی چند سہ ماہیوں میں 4.0% سے 5.0% کے درمیان قابو میں رکھنے میں مدد ملے گی۔ چنانچہ مانیٹری پالیسی کے لئے ایک مستحکم ماحول کی اُمید کی جاسکتی ہے۔

ڈائریکٹر رپورٹ برائے سہ ماہی اختتام پذیر 30 ستمبر 2017ء

فی الوقت کرنٹ اکاؤنٹ کو نحیف برآمدات اور سست ترسیلات زر کے باعث خطرہ لاحق ہے، جو اگرچہ حالیہ ہی میں مضبوط مالی آمدات سے زائل ہو گیا ہے، لیکن اگر خارجی اکاؤنٹ میں مزید کمزوری ہوئی تو کرنسی کو خطرہ لاحق ہو سکتا ہے اور اس کے نتیجے میں پاکستانی روپے کی قدر میں متوقع سے زیادہ کمی آئے گی، اور اسے ہم وقت کے اس موڑ پر معیشت کو لاحق واحد بڑا خطرہ سمجھتے ہیں۔

مجموعی استحکام اور اس کے ساتھ ساتھ چین پاکستان معاشی راہداری متوقع طور پر تعمیر اور بجلی کے شعبے میں تیزی لائیں گے۔ علاوہ ازیں، توسیعی چکر اور اس کے ساتھ ساتھ انٹریسٹ کی شرح کے مستحکم ماحول سے دیگر ابھرتی ہوئی مارکیٹ کی معیشتوں کے مقابلے میں عالمی سطح پر بہتر درجہ بندی متوقع ہے۔ تعمیر کا شعبہ متوقع طور پر انفراسٹرکچر پر مبنی معاشی ترقی کے متبادل بنارہے گا۔

تیل کی قیمتوں میں طویل المیعاد استحکام متوقع طور پر ایکسپلوریشن اور پیداوار کے شعبے کو ایکسپلوریشن میں ترقی کے ذریعے تحریک فراہم کرے گا۔ بینک متوقع طور پر پاکستان انویسٹمنٹ بانڈز (PIBs) کی maturity واضح ہونے کے بعد منظر عام پر آئیں گے، اور پُرکشش Price to Book ratios پر سب کی توجہ مرکوز ہے۔ ابھرتی ہوئی مارکیٹس میں پاکستان کی دوبارہ درجہ بندی سے غیر ملکی آمدات کے لئے KSE-100 انڈیکس میں تیزی آسکتی ہے اور مارکیٹ کی شرح کے دوبارہ تعین اور اس میں اضافے کی راہ ہموار ہوگی۔

مقررہ آمدنی کے میدان میں مارکیٹ متوقع طور پر افراط زر میں اضافے اور سرحدوں پر کشیدگی کے باعث محتاط رہے گی۔ معاشی میدان میں، خاص طور پر ادائیگیوں کے توازن کے حوالے سے، واضح صورتحال سے مقررہ آمدنی کی مارکیٹوں میں مزید شرکت کی طرف راہنمائی حاصل ہوگی۔

اظہار تشکر

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

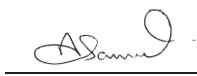
برائے اور من جانب بورڈ



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

20 اکتوبر 2017ء


صدائے حبیب
ڈائریکٹر

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

As At September 30, 2017

		(Un-Audited) September 30 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
ASSETS			
Balances with banks	5	456,140	777,425
Investments	6	2,495,458	2,292,898
Receivable against sale of investments		6,898	9,034
Dividend and profit receivable		24,606	8,435
Security deposits, advances and other receivables		3,311	3,226
Total assets		2,986,413	3,091,018
LIABILITIES			
Payable to Management Company		12,160	8,652
Payable to Central Depository Company of Pakistan Limited - Trustee and related sales tax		369	347
Payable to Securities and Exchange Commission of Pakistan - annual fee		703	1,795
Unclaimed dividend		12,400	12,400
Payable against purchase of equity securities		-	78,640
Payable against redemption of units		-	52,000
Accrued expenses and other liabilities	7	22,393	22,227
Total liabilities		48,025	176,061
NET ASSETS		2,938,388	2,914,957
Unit holders' fund (as per statement attached)		2,938,388	2,914,957
----- (Number of Units) -----			
NUMBER OF UNITS IN ISSUE		270,050,425	237,916,714
----- (Rupees) -----			
NET ASSETS VALUE PER UNIT		10.88	12.25

The annexed notes from 1 to 14 form an integral part to these condensed interim financial statements.

**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 QUARTER ENDED SEPTEMBER 30, 2017

		Quarter ended	
		September 30	September 30
		2017	2016
		----- (Rupees in '000) -----	
	Note		
INCOME			
Net (loss) / gain on sale of investments - net		(110,153)	51,087
Dividend income		23,290	13,345
Profit on bank deposits		7,557	2,739
Net element of Income included in prices of units issued less those in units redeemed.		-	10,657
Unrealised (diminution) / appreciation on revaluation of investments classified as 'held-for-trading' - net	6.3	(220,888)	612
Total income		(300,194)	78,440
EXPENSES			
Remuneration of Management Company		14,795	6,070
Sales tax and Federal Excise Duty on remuneration of Management Company		1,923	789
Expenses allocated by Management Company and related sales tax		836	343
Selling and marketing expense		2,959	-
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		992	561
Sales tax on trustee fee		129	73
Securities and Exchange Commission of Pakistan - annual fee		703	288
Securities transaction cost		4,090	858
Settlement charges		402	163
Auditors' remuneration		135	124
Fees, subscription and bank charges		66	79
Shariah advisory fee		225	225
Legal and professional charges		54	45
Donation		229	270
Printing and related cost		40	40
Total expenses		27,578	9,928
Net Income / (loss) from operating activities		(327,772)	68,512
Provision for Workers' Welfare Fund	7.1	-	-
Net income / (loss) for the period before taxation		(327,772)	68,512
Taxation	9	-	-
Net income / (loss) for the period after taxation		(327,772)	68,512
Earnings per unit	10		
Allocation of Net (loss) / Income for the period:			
On units redeemed		34,995	
Accounting (loss) / income available for distribution:			
-Relating to capital gains		(295,705)	
-Excluding capital gains		2,928	
Accounting (loss) / Income available for Distribution			(292,777)

Sep 30, 2017

The annexed notes from 1 to 14 form an integral part to these condensed interim financial statements.

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



Chief Executive Officer



Chief Financial Officer



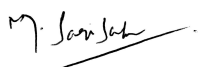
Director

**STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended	
	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
Net (loss) / income for the period after taxation	(327,772)	68,512
Other comprehensive income:		
Net unrealised (diminution) / appreciation on remeasurement of investments classified as 'available-for-sale' at the end of the period	(28,325)	37,632
Total comprehensive (loss) / income for the period	(356,097)	106,144

The annexed notes from 1 to 14 form an integral part to these condensed interim financial statements.

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 QUARTER ENDED SEPTEMBER 30, 2017**

	Quarter ended	
	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
Net assets at beginning of the period	2,914,957	1,122,951
Issue of 112,947,739 units (2016: 26,417,390 units)	1,310,754	300,945
Redemption of 80,814,028 units (2016: 7,324,055 units)	931,226	82,088
	379,528	218,857
Accounting income for the period	(292,777)	57,857
Income already paid on units redeemed	(34,995)	-
Net unrealised appreciation on re-measurement on investments classified as available for sale	(28,325)	37,632
Net assets as at the end of the period	2,938,388	1,437,297
Net Assets value per unit as at beginning of the period	12.25	10.62
Net Assets value per unit as at end of the period	10.88	11.51
Distribution during for the period:		
Undistributed income brought forward comprises of:		
- Realised Gain	483,316	4,088
- Unrealised Gain	(41,361)	245
	441,955	4,333
Accounting income available for distribution:		
-Relating to capital gains	(295,705)	
-Excluding capital gains	2,928	
	(292,777)	68,512
Net element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - transferred to Distribution Statement	-	17,267
Distributions during the period	-	-
Undistributed income carried forward	149,178	90,112
Undistributed income carried forward comprises of:		
- Realised Gain	370,066	89,500
- Unrealised Gain	(220,888)	612
	149,178	90,112

The annexed notes from 1 to 14 form an integral part to these condensed interim financial statements.

**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 QUARTER ENDED SEPTEMBER 30, 2017

	Quarter ended	
	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net (loss) / income for the period before taxation	(327,772)	68,512
Adjustments for non - cash and other items		
Net element of (income) included in prices of units issued less those in units redeemed.	-	(10,657)
Unrealised diminution / (appreciation) on revaluation of investments classified as 'held-for-trading' - net	220,888	(612)
Dividend income	(23,290)	(13,345)
	(130,174)	43,898
(Increase) / Decrease in assets		
Investments - net	(428,484)	19,376
Receivable against sale of investments	2,137	(17,016)
Profit receivable and dividend receivables	(16,171)	(10,722)
Security deposits, advances and other receivables	(85)	(66)
	(442,603)	(8,428)
(Decrease) / increase in liabilities		
Payable to Management Company	3,508	438
Payable to Central Depository Company of Pakistan Limited - Trustee and related sales tax	22	11
Payable to Securities and Exchange Commission of Pakistan - annual fee	(1,092)	(487)
Unclaimed dividend		
Payable against purchase of equity securities	(78,640)	81,777
Payable against redemption of units	(52,000)	-
Accrued expenses and other liabilities	166	974
	(128,036)	82,713
	(700,813)	118,184
Net cash (used in) / generated from operating activities	(700,813)	118,184
CASH FLOW FROM FINANCING ACTIVITIES		
Receipts from issuance of units	1,310,754	300,945
Payments on redemption of units	(931,226)	(82,088)
Net cash generated from financing activities	379,528	218,857
Net (decrease) / increase in cash and cash equivalents during the period	(321,285)	337,041
Cash and cash equivalents at the beginning of period	777,425	82,162
Cash and cash equivalents at the end of period	456,140	419,203

The annexed notes from 1 to 14 form an integral part to these condensed interim 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 CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** Alhamra Islamic Stock Fund (formerly: MCB Pakistan Islamic Stock Fund) (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee on May 26, 2004.
- 1.2** Pursuant to the merger of MCB Asset Management Company Limited with and into Arif Habib Investments Limited (AHIL), the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited.
- 1.3** Formation of the Fund as a closed-end fund was authorized by SECP on May 13, 2004, however with effect from November 11, 2010 the Fund was converted into open-end fund. The Management Company of the Fund obtained the requisite license from the Securities and Exchange Commission of Pakistan (SECP) to undertake asset management services under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules). The registered office of the Management Company is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.4** The Fund is categorised as "equity scheme" and is listed on the Pakistan Stock Exchange Limited. The Fund primarily invests in listed equity securities. It also invests in cash instruments and treasury bills not exceeding 90 days maturity.
- 1.5** Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.
- 1.6** The Pakistan Credit Rating Agency Limited (PACRA) has assigned asset manager rating of 'AM2++' dated June 23, 2017 to the Management Company.
- 1.7** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

2. BASIS OF PREPARATION

- 2.1** This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Act 2017, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), the Non-Banking Finance and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations, Companies Act 2017 or the directives issued by the SECP prevail.
- 2.2** The Companies Act, 2017 was enacted on 30th May 2017 and is applicable with immediate effect. However, owing to the practical difficulty being faced by the companies in the preparation of the Financial Statements Circular No. 17/ 2017 dated October 06, 2017 issued by Institute of Chartered Accountants of Pakistan to be read with circular no. 23 of 2017 dated October 04, 2017 issued by Securities and Exchange Commission of Pakistan (SECP) have notified that the companies whose interim period ends on or before 31 December 2017, shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984
- 2.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017.
- 2.4** The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at 30 September 2017 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2017, where as the comparative in condensed interim income statement, condensed interim statement of movement in unit holders' fund and condensed interim cash flow statement are extracted from unaudited condensed interim financial information for the period ended 30 September 2016.
- 2.5** These condensed interim financial statements are unaudited and are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 The accounting policies and methods of computation adopted in the preparation of this condensed interim financial information are the same as those applied in preparation of the financial statements of the Fund for the year ended June 30, 2017 except for change in accounting policy for recognition of Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed (Element of Income) discussed in detail in Note No. 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 Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations, 2008). 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, 2008. 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 it 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 period 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 has applied the above changes in accounting policy prospectively from July 01, 2017 as per clarification issued by the Mutual Funds Association of Pakistan and, accordingly, corresponding figures have not been restated.

4 FINANCIAL RISK MANAGEMENT

The Fund's financial risk management objectives and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2017.

5 BANK BALANCES

	(Unaudited) 30 September 2017	(Audited) 30 June 2017
	(Rupees in 000)	
Balances with bank		
Current accounts	12,798	15,110
Deposit accounts	443,342	762,315
	456,140	777,425

	(Un-Audited) September 30 2016	(Audited) June 30 2016
	----- (Rupees in '000) -----	

6 INVESTMENTS

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

Listed equity securities	6.1	2,222,028	1,955,738
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'Available-for-sale'

Listed equity securities	6.2	273,433	337,160
		2,495,458	2,292,898

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

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

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

Name of the Investee Company	As at July 01, 2017	Purchases during the period	Bonus Issue during the period	Bonus issue during the period	Sales during the period	As at September 30, 2017	Balance as at September 30, 2017			Market value as percentage of net assets	Market value as percentage of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
							Carrying Value	Market value	(Diminution) / appreciation			
(Rupees in '000)												
AUTOMOBILE ASSEMBLER												
GHANDHARA INDUSTRIES LTD	44,700	22,950	-	-	-	67,650	42,206	33,734	(8,472)	1	0	-
HINOPAK MOTORS	500	-	-	-	500	-	-	-	-	0	0	-
HONDA ATLAS CARS(PAKISTAN) LIMITED	72,300	-	-	-	72,300	-	-	-	-	0	0	-
PAK SUZUKI MOTOR CO	63,800	-	-	-	63,800	-	-	-	-	0	0	-
						67,650	42,206	33,734	(8,472)	1	-	-
AUTOMOBILE PARTS & ACCESSORIES												
AGRIAUTO INDUSTRIES LIMITED	24,300	-	-	-	-	24,300	10,495	7,655	(2,841)	0	0	-
GENERAL TYRE & RUBBER CO	90,000	36,500	-	-	200	126,300	35,440	25,424	(10,015)	1	0	-
						150,600	45,935	33,079	(12,856)	1	-	-
CABLE & ELECTRICAL GOODS												
PAK ELEKTRON	757,500	725,000	-	-	495,000	987,500	95,114	75,001	(20,114)	3	0	-
						987,500	95,114	75,001	(20,114)	3	-	-
CEMENT												
CHERAT CEMENT	104,701	-	-	-	104,701	-	-	-	-	0	0	-
* D.G. KHAN CEMENT	443,000	73,000	-	-	514,700	1,300	273	191	(82)	0	0	-
FAUJI CEMENT CO LTD	498,500	670,000	-	-	1,000,000	168,500	6,899	5,480	(1,420)	0	0	-
KOHAT CEMENT LTD	106,500	165,000	-	-	133,900	137,600	29,141	20,635	(8,507)	1	0	-
LUCKY CEMENT	229,800	77,800	-	-	87,250	220,350	179,027	124,537	(54,489)	4	0	-
MAPLE LEAF CEMENT FACTORY LTD	614,700	-	-	-	614,700	-	-	-	-	0	0	-
PIONEER CEMENT LTD	18,500	-	-	-	18,500	-	-	-	-	0	0	-
THATTA CEMENT	761,000	-	-	-	38,500	722,500	28,878	18,568	(10,310)	1	0	-
						1,250,250	244,218	169,411	(74,808)	6	-	-
CHEMICALS												
ARCHROMA PAKISTAN LIMITED	19,700	-	-	-	-	19,700	14,042	12,943	(1,099)	0	0	-
ENGRO POLYMER & CHEMICAL	2,235,000	1,151,000	-	-	1,575,000	1,811,000	64,808	60,506	(4,302)	2	0	-
ICI PAKISTAN	8,100	-	-	-	-	8,100	8,866	7,400	(1,466)	0	0	-
						1,838,800	87,716	80,849	(6,867)	2	-	-
COMMERCIAL BANKS												
MEEZAN BANK LIMITED	34,500	185,000	-	-	-	219,500	16,147	16,337	190	1	0	-
MEEZAN BANK LIMITED(R)	-	5,500	-	2,070	-	7,570	107	151	45	0	0	-
						227,070	16,254	16,488	235	1	-	-
ENGINEERING												
AMRELI STEELS LIMITED	260,500	203,000	-	-	450,000	13,500	1,622	1,377	(245)	0	0	-
CRESCENT STEEL & ALLIED PROD	30,700	280,700	-	-	-	311,400	66,634	49,260	(17,374)	2	0	-
INTERNATIONAL INDUSTRIES	235,800	246,400	-	-	125,000	357,200	123,320	103,659	(19,660)	4	0	-
INTERNATIONAL STEELS LTD	498,000	150,000	-	-	648,000	-	-	-	-	0	0	-
ITTEFAQ IRON INDUSTRIES LIMITED	-	739,500	-	-	642,000	97,500	2,636	2,427	(210)	0	0	-
* MUGHAL IRON & STEEL	405,000	734,500	-	-	650,000	489,500	36,907	28,009	(8,898)	1	0	-
						1,269,100	231,119	184,732	(46,387)	7	-	-
FERTILIZER												
ENGRO CORPORATION LIMITED	606,600	100,000	-	-	140,000	566,600	182,796	171,731	(11,065)	6	0	-
ENGRO FERTILIZER LIMITED	-	1,317,000	-	-	867,000	450,000	28,376	28,310	(67)	1	0	-
* FATIMA FERTILIZER COMPANY	-	1,500,500	-	-	825,000	675,500	21,791	23,001	1,209	1	0	-
						1,692,100	232,963	223,042	(9,923)	8	-	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

GLASS & CERAMICS	27,500	-	-	-	27,500	527	360	(167)	0	0.00	-
	450,000	117,500	-	-	567,500	63,231	59,667	(3,564)	2	0.02	1
					595,000	63,758	60,027	(3,731)	2	-	1
LEATHER & TANNERIES	25,150	-	-	-	25,150	34,682	22,937	(11,745)	1	0.01	-
					25,150	34,682	22,937	(11,745)	1	-	-
MISCELLANEOUS	392,000	147,000	-	-	539,000	38,426	35,574	(2,852)	1	0.01	1
					539,000	38,426	35,574	(2,852)	1	-	1
OIL & GAS EXPLORATION COMPANIES	780	19,420	-	-	20,200	33,318	30,401	(2,917)	1	0.01	-
	487,000	749,300	-	-	1,182,300	172,759	175,737	2,978	6	0.07	-
	71,000	241,200	-	-	297,200	140,286	158,122	17,837	5	0.06	-
	603,200	598,800	-	-	982,000	171,546	11,596	11,596	6	0.07	-
					2,481,700	506,313	535,806	29,494	18	-	-
OIL AND GAS MARKETING COMPANIES	300	-	-	-	300	188	188	-	0	0.00	-
	36,700	100,000	-	-	100,000	29,928	28,109	(1,819)	1	0.01	-
	-	622,400	-	-	622,400	65,914	61,331	(4,582)	2	0.02	1
	516,000	1,217,000	-	-	1,082,300	158,038	144,877	(13,161)	5	0.06	-
					1,805,000	254,068	234,505	(19,562)	8	-	1
PAPER AND BOARD	237,400	-	-	-	237,400	22,482	15,870	(6,612)	1	0.01	-
	100,000	-	-	-	100,000	23,778	20,000	(3,778)	1	0.01	-
	-	-	13,500	-	13,500	-	945	945	0	0.00	-
	800	-	-	-	800	557	462	(95)	0	0.00	-
				351,700	46,817	37,277	(9,540)	2	-	-	
PHARMACEUTICAL S	16,500	-	-	-	10,950	10,234	8,640	(1,594)	0	0.00	-
	140,000	30,000	-	-	132,600	7,331	6,881	(449)	0	0.00	-
					48,350	17,565	15,521	(2,043)	-	-	-
POWER GENERATION & DISTRIBUTION	1,380,432	890,000	-	-	2,270,432	265,899	253,857	(12,042)	9	0.10	-
	4,679,000	800,000	-	-	5,479,000	37,653	38,572	919	1	0.02	-
	1,500	-	-	-	1,500	30	33	3	0	0.00	-
					7,750,932	303,582	292,462	(11,120)	10	-	-
REFINERY	97,300	-	-	-	-	-	-	-	0	0.00	-
					-	-	-	-	-	-	-
SUGAR & ALLIED INDUSTRIES	101,500	-	-	-	101,500	8,146	8,026	(121)	0	0.00	-
					101,500	8,146	8,026	(121)	-	-	-
TECHNOLOGY & COMMUNICATIONS	150,000	4,500	-	-	154,500	8,975	10,197	1,223	0	0.00	-
	-	40,500	-	-	40,500	2,964	3,140	177	0	0.00	-
					195,000	11,939	13,337	1,400	-	-	-
TEXTILE COMPOSITE	-	408,000	-	-	408,000	40,851	36,100	(4,751)	1	0.01	-
	-	-	24,480	-	24,480	-	551	551	0	0.00	-
	9,500	773,200	-	-	782,700	121,244	113,570	(7,674)	4	0.05	-
					1,215,180	162,095	150,221	(11,874)	5	-	-
September 30, 2017											
					2,442,916	2,222,028	(220,888)				
June 30, 2017											
					1,997,099	1,955,738	(41,361)				

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

6.2 Listed equity securities 'available-for-sale'

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

Name of the Investee Company	Number of shares					Balance as at 30 September 2017					Market Value as percentage of net Asset	Market value as % of total investments	Paid up value of shares as percentage of total paid up capital of the investee company
	As at July 01, 2017	Purchases during the period	Bonus issue during the period	Right issue during the period	Sales during the period	As at September 30, 2017	Cost	Market Value	(Diminution) / Appreciation				
												%	
AUTOMOBILE ASSEMBLER													
HONDA ATLAS CARS(PAKISTAN) LIMITED	11,700	-	-	-	11,700	-	-	-	-	0	0.00	-	-
PAK SUZUKI MOTOR CO	12,200	-	-	-	9,150	3,050	1,778	1,396	(382)	0	0.00	-	-
						3,050	1,778	1,396	(382)	-	-	-	-
AUTOMOBILE PARTS & ACCESSORIES													
AGRIAUTO INDUSTRIES LIMITED	21,200	-	-	-	-	21,200	5,731	6,678	947	0	0.00	-	-
						21,200	5,731	6,678	947	-	-	-	-
CABLE & ELECTRICAL GOODS													
PAK ELEKTRON	32,000	-	-	-	-	32,000	2,195	2,430	235	0	0.00	-	-
						32,000	2,195	2,430	235	-	-	-	-
CEMENT													
CHERAT CEMENT	215,700	-	-	-	215,700	-	-	-	-	0	0.00	-	-
						-	-	-	-	-	-	-	-
CHEMICALS													
ARCHROMA PAKISTAN LIMITED	18,950	-	-	-	-	18,950	10,209	12,450	2,242	0	0.00	-	-
ICI PAKISTAN	16,800	-	-	-	-	16,800	8,961	15,349	6,388	1	0.01	-	-
						35,750	19,170	27,799	8,630	1	-	-	-
COMMERCIAL BANKS													
MEEZAN BANK LIMITED	352,000	-	-	-	-	352,000	18,133	26,199	8,067	1	0.01	-	-
MEEZAN BANK LIMITED(R)	-	-	-	21,120	-	21,120	-	422	422	0	0.00	-	-
						373,120	18,133	26,621	8,489	1	-	-	-
MISCELLANEOUS													
SHIFA INTERNATIONAL HOSPITALS	520	-	-	-	-	520	146	133	(14)	0	0.00	-	-
						520	146	133	(14)	-	-	-	-
OIL & GAS EXPLOERATION COMPANIES													
MARI PETROLEUM COMPANY	49,050	-	-	-	-	49,050	39,111	73,821	34,710	3	0.03	-	-
OIL & GAS DEVELOPMENT CO LTD	160,100	-	-	-	-	160,100	22,714	23,797	1,084	1	0.01	-	-
PAKISTAN OILFIELDS LIMITED	44,700	-	-	-	-	44,700	15,467	23,782	8,315	1	0.01	-	-
PAKISTAN PETROLEUM LTD	142,100	-	-	-	-	142,100	22,777	24,824	2,047	1	0.01	-	-
						395,950	100,069	146,224	46,156	6	-	-	-

OIL AND GAS MARKETING COMPANIES

* These represent related party

Alhamra Islamic Stock Fund (Formerly: MCB Pakistan Islamic Stock Fund)

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

		(Un-Audited) September 30 2017	(Audited) June 30 2017
	Note	----- (Rupees in '000) -----	
6.3 Unrealised diminution in value of investments at 'fair value through profit or loss held-for-trading' - net			
Market value of investments	6.1	2,222,028	1,955,738
Less: Cost of investments	6.1	2,442,916	(1,997,099)
		<u>(220,888)</u>	<u>(41,361)</u>
7 ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	7.1	9,948	9,948
Charity / donation payable		1,247	1,018
Federal excise duty payable on management fee	7.2	5,689	5,689
Federal excise duty payable on sales load		125	125
Auditors' remuneration		559	424
Brokerage payable		4,126	3,927
Withholding tax payable		5	582
Others		694	514
		<u>22,393</u>	<u>22,227</u>

7.1 Provision for Workers' Welfare Fund

The Finance Act, 2008 had introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance) as a result of which it was construed that all Collective Investment Schemes (CISs) / mutual funds whose income exceeded Rs 0.5 million in a tax year were brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever was higher. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honourable Sindh High Court (SHC) challenging the applicability of WWF on CISs which is pending adjudication. Similar cases were disposed of by the Peshawar and the Lahore High Courts in which these amendments were declared unlawful and unconstitutional. However, these decisions were challenged in the Supreme Court of Pakistan.

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 1, 2015.

On November 10, 2016 the Supreme Court of Pakistan (SCP) has passed a judgment declaring the amendments made in the Finance Acts 2006 and 2008 pertaining to WWF as illegal citing that WWF was not in the nature of tax and could, therefore, not have been introduced through money bills. Accordingly, the aforesaid amendments have been struck down by the SCP. The Federal Board of Revenue has filed a petition in the SCP against the said judgment, which is pending hearing. While the petitions filed by the CISs on the matter are still pending before the SHC, the Mutual Funds Association of Pakistan (MUFAP) (collectively on behalf of the asset management companies and their CISs) has taken legal and tax opinions on the impact of the SCP judgement on the CISs petition before the SHC. Both legal and tax advisors consulted were of the view that the judgment has removed the 'very basis on which the demands were raised against the CISs. Therefore, there was no longer any liability against the CISs under the WWF Ordinance and that all cases pending in the SHC or lower appellate forums will now be disposed of in light of the earlier judgement of the SCP.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

Furthermore, 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 Federal and Sindh WWF on Mutual Funds and considering the legal opinion obtained on these matters, MUFAP has recommended the following to all its members on January 12, 2017:

- the entire provision against the Federal WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and
- the provision in respect of Sindh WWF 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)

Accordingly, on January 12, 2017 the provision for WWF was reversed and the provision for SWWF was made for the period from May 21, 2015 to January 12, 2017. Thereafter, the provision for SWWF is being made on a daily basis going forward.

The above decisions were communicated to the Securities and Exchange Commission of Pakistan (SECP) and the Pakistan Stock Exchange Limited on January 12, 2017. The SECP vide its letter dated February 1, 2017 had advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, necessary adjustments in this respect were recorded in the books of the Funds on January 12, 2017.

'The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at September 30, 2017 would have been higher by Re.0.03 per unit.

7.2 Federal Excise Duty on Remuneration of Management Company

The Finance Act, 2013 enlarged the scope of Federal Excise Duty (FED) on financial services to include Asset Management Companies (AMCs) with effect from June 13, 2013. As the asset management services rendered by the Management Company of the Fund 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 is of the view that further levy of FED was not justified.

On September 04, 2013, a constitutional petition was filed in Honorable Sindh High Court (SHC) jointly by various asset management companies, together with their representative Collective Investment Schemes through their trustee, challenging the levy of FED.

During the period ended, 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. Thereafter, during the pendency of the present civil petition, the Supreme Court has suspended the operation of the impugned judgment of the SHC. The matter is still 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 5.689 million (2016: Rs 5.689 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 September 30, 2017 would have been higher by Re 0.02 per unit (June 30, 2017: Re 0.2950 per unit)

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

8 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at September 30, 2017.

9 TAXATION

The Fund is exempt from taxation under clause 99 of the Part I of the 2nd Schedule of the Income Tax Ordinance, 2001, subject to the condition that not less than 90% of its accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required 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. The management intends to distribute at least 90% of the income earned during the year by the Fund to the unit holders. Accordingly, no provision has been made in this condensed interim financial statement.

10. EARNINGS PER UNIT

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

11. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund as at September 30, 2017 is 0.94% which includes 0.10% representing government levies on the Fund such as sales taxes, annual fee payable to the SECP, etc. This ratio is within the maximum limit under the NBFC Regulations, 2008 for a collective investment scheme.

12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

12.1 Quarter ended September 30, 2017 (Un-Audited)

	As at July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017	July 01, 2017	Issued for cash	Bonus	Redeemed	As at September 30, 2017
			Units				(Rupees in '000)			
Associated Companies / Undertakings										
Nishat Mills Ltd.	1,108,715	-	-	-	1,108,715	13,582				12,063
Adamjee Life Assurance Company Limited - NUJIL Fund	6,355,054	-	-	-	6,355,054	77,849				69,143
Adamjee Life Assurance Company Limited - IMF	42,703,159	415,282			43,118,441	523,114	5,000			469,129
Adamjee Life Assurance Company Limited - Amanat Fund	9,828,699	781,536			10,610,235	120,401	9,500			115,439
D.G Khan Cement Company Limited - Employees Provident Fund	456,190				456,190	5,588				4,963
Adamjee Life Assurance Company Limited - ISF	3,449,676	415,282	-	-	3,864,958	42,259	5,000			42,051
Adamjee Life Assurance Company Limited - ISF II	3,043,831	415,282			3,459,113	37,287	5,000			37,635
Adamjee Life Assurance Company Limited - MAZAAF	829,753	5,656,109			6,485,862	10,164	62,500			70,566
Alhamra Islamic Active Allocation Plan I	71,103,336	47,034,607	-	34,000,521	84,137,422	871,016	550,000	400,000		915,415
Alhamra Islamic Active Allocation Plan II	2,029,220	23,234,714	-	18,570,102	6,693,832	24,858	260,000	200,000		72,829
Key management personnel	379,456	599,913	-	446,935	528,240	8,280	7,058	5,383		5,747
Mandate Under Discretionary Portfolio Services	12,092,047	1,546,913	-	1,734,772	11,904,188	152,185	18,283	-	20,040	129,518

Quarter ended September 30, 2017 (Un-Audited)

	As at July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 31, 2016	July 01, 2016	Issued for cash	Bonus	Redeemed	As at September 31, 2016
			Units				(Rupees in '000)			
Associated companies / undertakings										
Nishat Mills LTD	997,990	-	-	-	997,990	10,599				11,487
Adamjee Life Assurance Company Limited - IMF	38,438,529	-	-	-	38,438,529	408,217				442,427
Adamjee Life Assurance Company Limited - Amanat Fund	7,223,000	782,837	-	-	8,005,837	76,708	9,000			92,147
Key management personnel	307,007	170,875	-	269,813	208,069	891	1,932	-	3,079	2,395
Mandate under Discretionary Portfolio Services	5,662,646	9,328	-	138,012	5,533,962	60,137	100	-	1,550	63,696
DG.Khan Cement	404,856	-	-	-	404,856	4,300				4,659

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

12.2 Details of transactions with connected persons are as follows:

	----- Un-audited -----	
	Quarter ended	
	September 30 2017	September 30 2016
	----- (Rupees in '000) -----	
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration of management company including indirect taxes	16,718	6,859
Expenses allocated by management company and related sales tax	3,699	303
Shariah advisory fee	225	225
Central Depository Company of Pakistan Limited- Trustee		
Remuneration of Trustee	1,121	634
Group / Associated Companies		
Arif Habib Limited *		
Brokerage expense	224	120
Next Capital Limited *		
Brokerage expense	48	165
MCB Bank Limited		
Mark up income during the period	-	-
Bank charges	7	5
Dividend income	-	-
Lalpir Power Limited		
Dividend income	-	479
Pakgen Power Limited		
Dividend income	2	607
Synthetic Products Ltd		
Dividend income	270	-
Thatta Cement Co		
Dividend income	1,788	-

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

	(Un-Audited) September 30 2017 ----- (Rupees in '000) -----	(Audited) June 30 2017
12.3 Amount outstanding as at period / year end		
MCB Arif Habib Savings and Investments Limited - Management Company		
Remuneration payable	4,887	4,491
Sales tax payable on management remuneration	635	584
Expense allocated by management company and related sales tax payable	505	225
Sales load payable including related taxes	63	316
Marketing and Selling Expense	5,920	2,961
Shariah advisory fee payable	150	75
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable	369	347
Security deposit	300	300
Group / Associated Companies		
Arif Habib Limited *		
Brokerage payable	224	458
Next Capital Limited *		
Brokerage payable	48	283
Summit Bank Limited		
Balances with bank	7,305	-
MCB Bank Limited		
Balances with bank	12,808	1,517
Nishat Mills Limited		
782,700 shares held as at September 30, 2017 (June 30, 2016: 9,500)	113,570	1,508
Pakgen Power Limited		
1500 shares held as at September 30, 2017 (June 30, 2016: 1,500)	33	30
Fatima Fertilizers		
67500 shares held as at September 30, 2017 (June 30, 2016: 1,500)	23,000	-
Synthetic Products LTd		
539000 shares held as at September 30, 2017 (June 30, 2016: 392,000)	35,574	29,577
Thatta Cement		
722500 shares held as at September 30, 2017 (June 30, 2016: 761,000)	18,568	30,417
DG Khan Cement		
1300 shares held as at September 30, 2017 (June 30, 2016: Nil)	191	-
Mughal Iron		
489,500 shares held as at September 30, 2017 (June 30, 2016: Nil)	28,009	-
Sui Northern		
1,082,300 shares held as at September 30, 2017 (June 30, 2016: Nil)	144,877	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2017**

13 GENERAL

Certain prior year's / period's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

14 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on 20th October, 2017 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

MCB-Arif Habib Savings and Investments Limited

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