



MCB-ARIF HABIB  
Savings and Investments Limited

# ANNUAL REPORT 2019

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



Savings Asaan. Life Asaan.

# **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 Syed Savail Meekal Hussain 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>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Mr. Mirza Qamar Beg 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; Chief Financial Officer</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Company Secretary</b>	Mr. Amir Qadir	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> 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 Bank Al Habib Limited NRSP Micro Finance Bank Limited National Bank of Pakistan Askari Bank Limited Bank Islami Pakistan Limited Meezan Bank Limited Dubia Islamic Bank Pakistan Limited Silk Bank Limited MCB Islamic Bank Limited Habib Metropolitan Bank Limited	
<b>Auditors</b>	<b>Deloitte Yousuf Adil</b> Chartered Accountants Cavish Court, A-35, Block-7 & 8, KCHSU, Shahra-e-Faisal, Karachi-75350.	
<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, Center point, off Shaheed-e-Millat Express Way 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 YEAR ENDED JUNE 30, 2019

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**Dear Investor,**

On behalf of the Board of Directors, we are pleased to present **Alhamra Islamic Income Fund** accounts review for the year ended June 30, 2019.

## **ECONOMY AND MONEY MARKET OVERVIEW**

Pakistan's economy inherited myriad of challenges entering into fiscal year 2019, particularly a weak balance of payment and fiscal situation. The macroeconomic imbalances were coped with vigilant policy actions from central bank which resultantly took its toll on the economic growth. Gross Domestic Product (GDP) growth as per the preliminary estimates slowed down to 3.3% compared to 5.2% witnessed during the preceding year. All the three major sectors namely Agriculture, Industrial, and Services witnessed a slowdown posting growth of 0.9%, 1.4% and 4.7% respectively. Agricultural growth faltered as growth in major crops receded, evident from the decline in production of Sugarcane, Cotton & Rice which fell by 19.4%, 17.5% and 3.3% respectively. Industrial growth also weakened as large scale manufacturing (LSM) could not bear the brunt of contractionary policies pursued by central bank to achieve macroeconomic stabilization. LSM posted a decline of 3.7% as industries dependent on government spending and imports faced reduced demand. Among the major LSM sectors, Automobiles and Iron & Steel witnessed a demand contraction of 11.7% and 11.2% respectively. Nevertheless, Services sector provided some rescue to the economic growth, thanks to Finance and Insurance (up 5.4% YoY) and Government Services (up 8.0% YoY). Dollar denominated size of GDP stood at USD ~280 billion compared to USD ~315 billion in the last year, witnessing a contraction of 11%.

At the onset of year, Pakistan was plagued by one of the biggest balance of Payment crisis in its history. While it was facing a Current Account Deficit (CAD) north of USD 19 billion and external repayments worth USD 9 billion, the crisis was compounded by the fact that foreign exchange reserves of mere USD ~10 billion were at hand. Timely policy action by the central bank particularly adjusting the currency by 32% during the year helped in arresting the CAD. Real Effective Exchange Rate (REER) dropped from the overvalued territory in June 18 to become undervalued by 10%. Resultantly, the CAD contracted by 32.1% to USD 13.5 billion during the year. While exports growth did not materialize, improvement in CAD was driven from declining imports of Non-oil goods and services (down 11.8% YoY) and improved remittances (up 9.7% YoY). Default on loan obligations was also averted after Pakistan was successful in getting material inflows (USD ~10 billion) from its friendly allies. Although, narrowing current account deficit along with bilateral flows did provide some breathing space to the balance of payment, State Bank of Pakistan's (SBP) foreign reserves still declined by USD 2.5 billion to USD 7.5 billion due to the gravity of external crisis. At last, Pakistan also signed up for an IMF program during the month of May'19, putting all uncertainty to an end on the external front. The staff level agreement of USD 6.2 billion was reached for a period of three years.

The headline inflation as represented by Consumer Price Index (CPI) accelerated to an average of 7.3% in FY19 compared to 3.9% in the last year. Higher utility tariffs particularly a hike in gas prices (up ~64% YoY) and increased petroleum prices (up ~23% YoY) contributed to the rise in inflation. The regulator allowed for adjustments in utility tariffs as government eliminated the subsidies, while petroleum prices were adjusted after PKR depreciated by more than 30% against USD during the year. Similarly, the lagged impact of PKR depreciation resulted in more pronounced inflation in the second half which increased to an average of 8.6%, compared to 6.0% witnessed in the first half of the fiscal year. In order to control inflation and bring stability to the macroeconomic imbalances, the central bank continued its monetary tightening and increased the interest rates by 575 bps during the course of the year.

Fiscal books of the government continued to deteriorate, with the fiscal deficit reaching an unprecedented 8.9% of the GDP. Total revenue declined by 6% during the year, marred by a sharp drop in non-tax revenue of 44% during the period. Surplus profitability from SBP collapsed to nearly zero, after central bank recorded massive exchange losses due to currency devaluation. Tax collection also remained dismal as YoY collection remained flat, owing to tax exemptions announced in the last budget and a weak economy. On the other hand, total expenditures increased by 11%, despite a 25% cut in development spending. The increase in expenditures was propelled by a surge in current expenditures, particularly as

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

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the debt servicing costs escalated by 40% YoY due to increase in interest rates. Government relied on domestic sources to fund its deficit, as financing from external sources (Multilateral agencies) dried up since IMF program was not available during the most part of the year. Within the domestic channel, the government relied heavily on central bank borrowing as nearly 70% of the borrowing out of PKR 3 trillion was funded through SBP.

On the money market side, the yield curve shifted on upward trajectory after record monetary tightening by the central bank during the fiscal year. SBP cited rising inflation, twin deficits and declining forex reserves as the prime reasons behind the policy decisions. In the first half of fiscal year, concerns over external front along with unadjusted policy decisions kept market participants at bay from longer tenor instruments. However, by the end of the fiscal year as the policy adjustments were fully in place, market participants drew much comfort which resulted in a massive demand for longer tenor bonds. In fact, the yield curve turned inverted as 10 Year PIB's traded at much lower level compare to short term security papers.

During the year, SBP persistently tried to develop the market for floating rate bonds by conducting regular auctions. The central bank accepted a cumulative amount of PKR 714 billion at a credit spread of 70-75 bps over base rate (6M T-bill yield). On the other hand, the government matured PKR 314 billion of Ijara Sukuks causing a dearth of Shariah Compliant avenues. However, to fund the circular debt, SBP introduced Pakistan Energy SUKUK amounting to PKR 200 billion exclusively for Islamic Banks at 80 bps premium over base rate. Nevertheless, liquidity position throughout the period remained comfortable owing to regular OMOs conducted by SBP.

### FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.24% as against its benchmark return of 3.70%.

During the period, the exposure in Shariah Compliant Commercial Paper stood at 12.4% at period-end. The fund was 32.1% invested in Corporate Sukuks while remaining exposure was in Cash.

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 2,335 million as compared to Rs. 2,715 million as at June 30, 2018 registering a decrease of 13.99%.

The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 101.2221 as compared to opening NAV of Rs. 106.0918 per unit as at June 30, 2018 registering a decrease of Rs. 4.8697 per unit.

### FUTURE OUTLOOK

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits. IMF forecasts Pakistan GDP growth to slow down to 2.5% in FY20, in the wake of tightening policies pursued by the government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the government has incentivized the above, while increased power supply also eliminates bottleneck for them.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the central government. The beginning for the year has been very promising as CAD for July'19 shrank to USD ~600 million, compared to USD ~2,000 million seen during the same period of last year. Our forecast at very conservative assumptions is that CAD will settle at 2.7% of GDP. We have assumed crude oil prices at USD 70/BBL, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD ~13 billion (up 1.8x) by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Jun'19 REER at 91) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

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Inflation is expected to pick up to an average of 11.7% in FY20 compared to 7.3% witnessed during the last year. Multiple reason are attributed for the surge in inflation. Firstly, the government is aiming to recover the full cost of utilities resulting in the price adjustment of utilities. Secondly, tax exemptions provided to multiple industries have been withdrawn causing a hike in prices. Finally, we have assumed PKR to be north of 170 against USD by the end of fiscal year, while crude oil is assumed at USD 70/BBL which will keep the overall CPI high. Nevertheless, we expect core inflation as represented by Non Food Non Energy (NFNE) to average below 10.0% for the year. We deem that current real interest rate is sufficient to cater for the expected inflation, therefore, in general we do not expect any further increase in interest rates. However, more than expected inflation and any deterioration in fiscal accounts can result in modest tightening in the monetary policy.

On the fiscal side, the government is aiming to limit fiscal deficit at 7.4% of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6% of GDP. For this purpose, FBR is targeting an ambitious tax collection of PKR 5.5 trillion (up 35% YoY). The budget presented in the parliament proposed PKR 600 -700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the government is aiming for austerity measures on the current expenditure side, however, it is aiming for an expansionary Public Sector Development Program (PSDP) of PKR 1.7 trillion (up 40% YoY). We believe the tax collection target to be highly optimistic and expect a shortfall of PKR ~300-400 billion. As a result, the axe can fall on the development spending.

### Corporate Governance

The Fund is committed to implement the highest standards of corporate governance. With six (6) non-executive directors including two (2) independent Directors on the Board, as governing body of the Management Company, the Board is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defined the role and responsibilities of Board of Directors and Management.

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

- a. Financial statements present fairly its state of affairs, the results of operations, cash flows and changes in equity.
- b. Proper books of accounts of the Fund have been maintained.
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment.
- d. International Financial Reporting Standards, as applicable in Pakistan, provisions of the Non-Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further.
- f. There are no doubts whatsoever upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance.
- h. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

- i. The statement as to the value of investments of provident/gratuity and pension fund is not applicable on the Fund but applies to the Management Company; hence no disclosure has been made in the Directors' Report.
- j. As at June 30, 2019, the Fund is in compliance with the requirement of Directors' Training Program, as contained in Regulation No. 20 of the Code.
- k. The detailed pattern of unit holding, as required by NBFC Regulations are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in financial statements. Below is the details of committee meetings held during the year ended June 30, 2019:

### 1. Meeting of the Audit Committee.

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

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

### 2. Meeting of the Human Resource and Remuneration Committee.

During the year, one (1) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Dr. Syed Salman Shah (Chairman)*	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-
4. Mr. Haroun Rashid	1	1	1	-
5. Mr. Muhammad Saqib Saleem (CEO)	1	1	1	-

\*Dr. Syed Salman Ali Shah resigned from the Board effective June 10, 2019 and Mirza Qamar Beg was included as a member and also appointed as Chairman of the Committee.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2019

### 3. Meeting of Risk Management Committee.

During the year, one (1) meetings of the Risk Management Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg (Chairman)	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-

- m. The trades in the Units of the Fund were carried out during the year by Directors, Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, Company Secretary, and Chief Internal Auditor of the Management Company and their spouses and minor children.

S. No.	Name	Designation	Investment	Redemption	Dividend Distribution
			(Number of Units)		
1	Muhammad Saqib Saleem	Chief Executive Officer	7,208.14	19.35	1
2	Muhammad Asif Mehdi Rizvi	Chief Operating Office & Chief Financial Officer	28,262.35	38,946.79	108.58

### External Auditors

The fund's external auditors, **Deloitte Yousuf Adil Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2020. The audit committee of the Board has recommended reappointment of **Deloitte Yousuf Adil Chartered Accountants** as auditors of the fund for the year ending June 30, 2020.

### ACKNOWLEDGMENT

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

On behalf of Directors,



**Muhammad Saqib Saleem**  
Chief Executive Officer  
September 13, 2019



**Nasim Beg**  
Director / Vice Chairman

بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019ء کو ختم ہونے والے سال کے لیے الحمد للہ اسلامک انکم فنڈ کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار کا مجموعی جائزہ

پاکستان کی معیشت کو مالی سال 2019ء میں داخل ہوتے ہوئے بے شمار چیلنجز ورثے میں ملے، خاص طور پر ادائیگی کے توازن اور مالیات کی کمزور صورتحال۔ گلاں معاشیات کے غیر متوازن عناصر سے نمٹنے کے لیے مرکزی بینک نے چوتھے پالیسی اقدامات کیے جن کے نتیجے میں معاشی ترقی متاثر ہوئی۔ مجموعی ملکی پیداوار (GDP) کی ترقی ابتدائی تخمینوں کے مطابق سال گزشتہ (5.2 فیصد) کے مقابلے میں کم ہو کر 3.3 فیصد رہ گئی۔ تینوں بڑے شعبہ جات یعنی زراعت، صنعت اور سروسز سٹروی کا شکار ہوئے اور ان کی ترقی کی شرح بالترتیب 0.9 فیصد، 1.4 فیصد اور 4.7 فیصد رہی۔ اہم فصلوں کی نمو میں گراؤ کے سبب زرعی ترقی بھی پسماندگی کا شکار ہوئی جس کا اظہار گتے، کپاس اور چاول کی پیداوار میں بالترتیب 19.4 فیصد، 17.5 فیصد اور 3.3 فیصد کمی سے ہوتا ہے۔ صنعتی ترقی بھی کمزوری کا شکار ہوئی کیونکہ بڑے پیمانے کی پیداوار (LSM) مرکزی بینک کی گلاں معاشیاتی استحکام کے حصول کے لیے اختیار کردہ کانٹریکٹری (حکومتی خرچ یا مالیاتی توسیع کی شرح میں کمی پر مبنی) پالیسیوں کا خمیازہ برداشت نہیں کر سکی۔ LSM میں 3.7 فیصد کمی ہوئی کیونکہ حکومتی خرچ اور درآمدات پر انحصار کرنے والی صنعتوں کو مانگ میں کمی کا سامنا ہوا۔ LSM کے اہم شعبہ جات میں گاڑیوں کے شعبہ میں 11.7 فیصد اور لوہے اور اسٹیل کے شعبہ میں 11.2 فیصد مانگ کا تضاد ہوا۔ تاہم سروسز کے شعبہ نے معاشی ترقی کو کچھ حد تک ڈھال فراہم کیا جس کا سہرا فائننس اینڈ انشورنس (5.4 فیصد YoY ترقی) اور حکومتی سروسز (8.0 فیصد YoY ترقی) کے سر جاتا ہے۔ GDP کا ڈالر کے اعتبار سے حجم 280 بلین ڈالر تھا جو سال گزشتہ (315 بلین ڈالر) کے مقابلے میں 11 فیصد تضاد ہے۔

سال کے آغاز پر ہی پاکستان اپنی تاریخ کے سب سے بڑے ادائیگی کے توازن کے بحران کا شکار ہوا۔ اگرچہ اسے 19 بلین ڈالر کرنٹ اکاؤنٹ خسارے (CAD) اور 9 بلین ڈالر خارجی ادائیگی نو کا سامنا تھا لیکن یہ بحران شدت اختیار کر گیا کیونکہ غیر ملکی زرمبادلہ کے ذخائر صرف 10 بلین ڈالر رہ گئے تھے۔ مرکزی بینک کے بروقت پالیسی اقدام، خاص طور پر دوران سال روپے میں 32 فیصد ترمیم سے CAD پر قابو پانے میں مدد ملی۔ حقیقی مؤثر شرح مبادلہ (REER) جون 2018ء کے اصل سے زائد قدر کی سطح سے نیچے آئی اور اصل سے 10 فیصد کم قدر کی حامل ہو گئی۔ نتیجتاً CAD دوران سال 32.1 فیصد سکڑ کر 13.5 بلین ڈالر ہو گیا۔ اگرچہ برآمدات میں ترقی نہیں ہو سکی لیکن CAD میں بہتری کے اسباب تیل کے علاوہ والی اشیاء اور سروسز کی درآمدات میں 11.8 فیصد YoY (یئر اوور یئر) کمی اور ترسیلات زر میں 9.7 فیصد YoY اضافہ ہے۔ پاکستان کے دوستانہ حلیفوں سے مادی درآمدات زر (10 بلین ڈالر) حاصل کرنے میں کامیابی کے بعد ادائیگی قرض میں کوتاہی بھی ٹل گئی۔ اگرچہ CAD میں کمی کے ساتھ ساتھ رقوم کی دوطرفہ آمد و رفت سے ادائیگی کے توازن کا کچھ سانس بحال ہوا لیکن خارجی بحران کی شدت کے باعث اسٹیٹ بینک آف پاکستان (SBP) کے غیر ملکی زرمبادلہ کے ذخائر 2.5 بلین ڈالر کم ہو کر 7.5 بلین ڈالر رہ گئے۔ علاوہ ازیں، ماہ مئی 2019ء کے دوران پاکستان نے بالآخر آئی ایم ایف پروگرام پر دستخط کر دیئے جس سے خارجی میدان میں تمام غیر یقینیوں کا خاتمہ ہو گیا۔ 2.6 بلین ڈالر کا اسٹاف لیول معاہدہ تین برسوں کی مدت کے لیے عمل میں آیا۔



## ڈائریکٹر رپورٹ

مالی سال 2019ء میں صارفی قیمت کے انڈیکس (CPI) کے مطابق افراط زر مزید تیز رفتار ہو کر 7.3 فیصد کے اوسط تک پہنچ گئی جبکہ گزشتہ سال یہ اوسط 3.9 فیصد تھا۔ افراط زر میں اضافے میں یوٹیلیٹی کے بلند ترین، خاص طور پر گیس کی قیمتوں میں (64 فیصد YoY) اضافہ اور پٹرول کی قیمتوں میں (23 فیصد YoY) اضافہ سرگرم عمل ہیں۔ سبسڈیز کے خاتمے کے حکومتی اقدام سے یوٹیلیٹی کے نرخ میں ترمیم کا موقع ملا، جبکہ پٹرول کی قیمتوں میں ترمیم دوران سال روپے کی قدر ڈالر کے مقابلے میں 30 سے زائد فیصد گر جانے کے بعد کی گئی۔ اسی طرح، روپے کی قدر میں کمی کے سبب رفتار اثر کے نتیجے میں افراط زر مالی سال کے نصف ثانی میں شدید تر ہو کر 8.6 فیصد اوسط تک پہنچ گئی جبکہ نصف اول میں 0.6 فیصد تھی۔ افراط زر پر قابو پانے اور کلاں معاشیاتی غیر متوازن عناصر میں استحکام پیدا کرنے کے لیے مرکزی بینک نے مالیاتی سختی کا عمل جاری رکھتے ہوئے انٹریسٹ کی شرحوں میں دوران سال 575 بیسیس پوائنٹس (bps) کا اضافہ کیا۔

حکومت کے مالیاتی اعداد میں پسماندگی کا سلسلہ جاری رہا اور مالیاتی خسارہ GDP کے 8.9 فیصد تک پہنچ گیا جس کی نظیر نہیں ملتی۔ کل آمدنی میں دوران سال 6 فیصد کمی ہوئی جس کا سبب غیر ٹیکس آمدنی میں دوران مدت 44 فیصد سنگین گراؤ ہے۔ روپے کی قدر میں کمی کے باعث مرکزی بینک کو زیر مبادلہ کے خطیر خسارہ جات کا سامنا ہوا اور SBP سے اضافی منافع کے گنجائش تقریباً صفر ہو گئی۔ ٹیکس وصولی بھی مایوس کن رہی کیونکہ گزشتہ بجٹ میں اعلان کردہ ٹیکس استثنائات اور مجموعی طور پر کمزور معیشت کے باعث YoY وصولی میں کوئی اضافہ نہیں ہوا۔ دوسری جانب ترقیاتی خرچ میں 25 فیصد کمی کرنے کے باوجود کل اخراجات میں 11 فیصد اضافہ ہوا۔ اخراجات کے اضافے کو کرنٹ اخراجات میں اضافے نے مزید ہوا دی جس کا اہم سبب انٹریسٹ کی شرحوں میں اضافے کے سبب ادائیگی قرض میں 40 فیصد YoY اضافہ ہے۔ حکومت نے اپنے خسارے کی تلافی کے لیے مقامی ذرائع پر انحصار کیا کیونکہ سال کے اکثر حصے کے دوران آئی ایم ایف پروگرام کی عدم دستیابی کے باعث خارجی ذرائع (کثیرالجہتی ایجنسیاں) غیر مفید ہو گئے تھے۔ مقامی ذرائع میں حکومت نے سب سے زیادہ انحصار سینٹرل بینک پر کیا کیونکہ 3 ٹریلین روپے قرض میں سے تقریباً 70 فیصد کا انتظام SBP کے ذریعے کیا گیا۔

دوران مالی سال مرکزی بینک کی طرف سے تاحال سب سے زیادہ مالیاتی سختی کے باعث بازار زر کا پیداواری خم بلندی کی طرف مائل ہوا۔ SBP نے بڑھتی ہوئی افراط زر، جڑواں خساروں اور زیر مبادلہ کے گھٹتے ہوئے ذخائر کو پالیسی سے متعلق فیصلوں کے عوامل قرار دیا۔ مالی سال کے نصف اول میں خارجی میدان کے ساتھ ساتھ پالیسی کے غیر ترمیم شدہ فیصلوں سے متعلق خدشات نے مارکیٹ کے شرکاء کو طویل تر میعاد کے انسٹرومنٹس سے دور رکھا۔ تاہم مالی سال کے اختتام کے قریب جب پالیسی کی ترمیمات پوری طرح نافذ ہو گئیں تب مارکیٹ کے شرکاء نے سکون کا سانس لیا جس کے نتیجے میں طویل تر میعاد کے بانڈز کی خطرناک پیدا ہو گئی۔ حتیٰ کہ دس سالہ پاکستان انویسٹمنٹ بانڈز کی تجارت مختصر مدت کے سیکورٹی پیپر کے مقابلے میں کافی پست سطح پر ہونے کے سبب پیداواری خم اوندھا ہو گیا۔

دوران سال SBP نے باقاعدہ نیلامیوں کا انعقاد کر کے فلوئنگ ریٹ بانڈز کے لیے مارکیٹ کی ترقی کی مسلسل کوشش کی۔ مرکزی بینک نے base ریٹ (6M ٹریژری بلز پیداوار) کے اوپر 70 سے 75 bps کریڈٹ اسپریڈ پر 714 بلین روپے کی مجموعی رقم قبول کی۔ دوسری جانب حکومت نے 314 بلین روپے کے اجارہ سکک میچور کیے جس کے سبب شریعت کی تعمیل پر مبنی مواقع کی کمی ہو گئی۔ تاہم گردش قرضے کے لیے رقم کی فراہمی کے لیے SBP نے خاص طور پر اسلاک بینکوں کے لیے base ریٹ کے اوپر 80 bps پر 200 بلین روپے کے پاکستان انرجی سکک متعارف کرائے۔ علاوہ ازیں، SBP کی طرف سے باقاعدہ OMOs کے انعقاد کی بدولت پوری مدت کے دوران نقدیت کی صورتحال تسلی بخش رہی۔

### فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 8.24 فیصد تھا جبکہ مقررہ معیار 3.70 فیصد تھا۔  
اختتام مدت پر شریعہ کمپلائنس کمرشل پیپر میں شمولیت 12.4 فیصد کی سطح پر تھی۔ فنڈ کی سرمایہ کاری 32.1 فیصد کارپوریٹ سکک میں تھی جبکہ باقی شمولیت نقد میں تھی۔

30 جون 2019 کو فنڈ کے net اثاثہ جات 2,335 ملین روپے تھے جو 30 جون 2018ء (2,715 ملین روپے) کے مقابلے میں 13.99 فیصد کمی ہے۔

30 جون 2019 کو net اثاثہ جاتی قدر (NAV) فی یونٹ 101.2221 روپے تھی جو 30 جون 2018ء کی ابتدائی NAV (106.0918) روپے فی یونٹ کے مقابلے میں 4.8697 روپے فی یونٹ کمی ہے۔

### مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں گلاں معاشیاتی یکجہایت عمل میں آئے گی، چنانچہ معاشی ترقی چھوٹے اعداد تک محدود رہے گی۔ حکومت کی اختیار کردہ سختی پر مبنی پالیسیوں کے پیش نظر آئی ایم ایف نے مالی سال 2020ء میں پاکستان کی GDP کی ترقی میں 2.5 فیصد سُست روی کی پیش گوئی کی ہے۔ صنعتی ترقی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبہ جات میں ترقی جمود کا شکار رہے گی۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیوں سے کچھ مہلت ملے گی کیونکہ حکومت نے ان میں ترغیبات متعارف کرائی ہیں، اور توانائی کی فراہمی میں اضافے کی بدولت ان کی رکاوٹیں بھی دور ہوتی ہیں۔

ادائیگی کی توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ مرکزی حکومت کی طرف سے پالیسی اقدامات کے بعد CAD ترمیم سے گزر کر معقول سطح تک آ گیا ہے۔ سال کا آغاز بہت حوصلہ افزا رہا کیونکہ جولائی 2019ء کا CAD سال گزشتہ کی مماثل مدت کے CAD (2,000 ملین ڈالر) کے مقابلے میں سیکڑ 600 ملین ڈالر رہ گیا تھا۔ ہمارے بہت محتاط مفروضوں پر مبنی پیشن گوئی ہے کہ CAD کی سطح GDP کے 2.7 فیصد تک پہنچ کر رک جائے گی۔ ہم نے خام تیل کی قیمتیں 70 ڈالر فی BBL کی سطح پر فرض کی ہیں جو موجودہ طور پر 60 ڈالر فی BBL کے آس پاس ہے۔ ایک آئی ایم ایف پروگرام پر دستخط کرنے کے بعد پاکستان بین الاقوامی مواقع کو استعمال کر کے اپنی مجموعی مالیات کے لیے رقم فراہم کر سکے گا۔ سعودی عرب کی طرف سے تیل کی ملتی شدہ سہولت بھی غیر ملکی زرمبادلہ کے ذخائر کو مختصر المیعاد مطلوبہ توقف فراہم کرے گی۔ ہمیں توقع ہے کہ موجودہ مالی سال کے اختتام تک غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 13 بلین ڈالر تک پہنچ جائیں گے (1.8 ضرب زیادہ)۔ روپے کے توازن کی سطحوں (جون 2019ء REER: 91) تک ہم آہنگ ہونے اور CAD کے پائیدار حد میں ہونے کی وجہ سے روپے کی قدر میں اس کے ماضی کے اوسط کی بنیاد پر اب معمولی کمی ہونی چاہیے۔

مالی سال 2020ء میں افراط زر کا اوسط متوقع طور پر 11.7 فیصد بڑھے گا جو سال گزشتہ کے دوران 7.3 فیصد تھا۔ افراط زر میں اس اضافے کے متعدد عوامل ہیں۔ اول، حکومت یوٹیلٹی کی پوری لاگت وصول کرنے کا ارادہ کر رہی ہے جس کے نتیجے میں یوٹیلٹی کی قیمت میں ترمیمات ہوں گی۔ دوم، متعدد صنعتوں کو فراہم کردہ ٹیکس استثنائات واپس لے لی گئی ہیں جس کے نتیجے میں قیمتوں میں اضافہ ہوا ہے۔ آخری یہ کہ ہم نے مالی سال کے اختتام تک 1 ڈالر کو



170 روپے کے برابر فرض کیا ہے جبکہ خام تیل کو 70 ڈالر فی BBL فرض کیا ہے جس سے مجموعی صارفی قیمت کا انڈیکس (CPI) بلند سطح پر رہے گا۔ علاوہ ازیں، ہمیں اُمید ہے کہ اشیائے خورد و نوش اور توانائی کے علاوہ والے شعبوں (NFNE) سے ظاہر ہونے والی بنیادی افراط زر کا اوسط زیر بحث سال کے لیے 10.0 فیصد ہوگا۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح متوقع افراط زر کی ضرورت پوری کرنے کے لیے کافی ہوگی، چنانچہ، عمومی طور پر انٹریسٹ کی شرحوں میں مزید اضافہ متوقع نہیں ہے۔ تاہم توقع سے زیادہ افراط زر یا مالیاتی گوشواروں میں کسی تنزلی کے نتیجے میں مانیٹری پالیسی میں معمولی سختی عمل میں آسکتی ہے۔

مالیاتی جہت میں حکومت مالیاتی خسارے کو GDP کے 7.4 فیصد تک محدود کرنے کا ارادہ کر رہی ہے۔ اگرچہ مالیاتی خسارے کے حتمی ہدف میں ارتقاء ہو سکتا ہے لیکن حکومت کو بنیادی خسارے کو GDP کے 0.6 فیصد پر محدود کرنے کی آئی ایم ایف کی بنیادی شرط کو پورا کرنا ہے۔ اس مقصد کے لیے فیڈرل بورڈ آف ریونیو (FBR) 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس وصولی کا عزم بلند کیے ہوئے ہے۔ پارلیمنٹ میں پیش کردی بجٹ میں 600 سے 700 بلین روپے کے ٹیکس اقدامات کی تجویز دی گئی ہے جبکہ باقی رقم FBR کی کوششوں اور معاشی ترقی پر منحصر رکھی گئی ہے۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات میں سادگی کے اقدامات کا عزم کر رہی ہے تاہم 1.7 ٹریلین روپے (40 فیصد YoY زیادہ) کے ایکسپینڈیچر (یعنی معاشی توسیع پر مبنی) پبلک سیکٹر ڈیولپمنٹ پروگرام (PSDP) کا منصوبہ بنا رہی ہے۔ ہم ٹیکس وصولی کی ہدف کو بے حد مثبت خیالی پر مبنی سمجھتے ہوئے 300 سے 400 بلین روپے کی کمی کی توقع کر رہے ہیں جس کے نتیجے میں ترقیاتی خرچ پر ضرب پڑے گی۔

### کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پُر عزم ہے۔ چھ (6) غیر ایگزیکٹو ڈائریکٹرز بشمول دو (2) خود مختار ڈائریکٹرز پر مشتمل بورڈ، مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابدہ ہے۔ انتظامیہ بہترین طریقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی شفقت کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

a. مالیاتی گوشوارے فنڈ کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔

b. فنڈ کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔

c. مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیار (پاکستان میں اطلاق کی حد تک)، نان بینکنگ فنانس کمپنیز (اسٹیبلشمنٹ اینڈ ریگولیشنز) کی دفعات 2003ء، نان بینکنگ فنانس کمپنیز اینڈ نوٹیفائیڈ انٹیلیجنٹ ریگولیشنز 2008ء، متعلقہ ٹرسٹ ڈیڈ کی شرائط اور سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

## ڈائریکٹرز رپورٹ

e. انٹرل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. فنڈ کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

g. کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے۔

h. واجب الاداء ٹیکسز، ڈیوٹیز، محصولات اور چارجز (اگر کوئی ہیں تو) کو مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔

i. پراویڈنٹ / گریجویٹ فنڈ اور پنشن فنڈ میں سرمایہ کاریوں کی مالیت کے اسٹیٹمنٹ کا اطلاق فنڈ پر نہیں ہوتا لیکن مینجمنٹ کمپنی پر ہوتا ہے، چنانچہ ڈائریکٹرز رپورٹ میں اس حوالے سے کوئی معلومات ظاہر نہیں کی گئی ہیں۔

j. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریننگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر بیس میں درج ہیں، فنڈ اُس سے compliant ہے۔

k. این بی ایف سی کے قواعد و ضوابط کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ ملحق ہے۔

l. بورڈ آف ڈائریکٹرز کی میٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2019ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی میٹنگز کی تفصیلات درج ذیل ہیں:

### ۱۔ آڈٹ کمیٹی کی میٹنگ

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

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
2	7	9	9	۱۔ جناب ہارون رشید (چیرمین)
-	9	9	9	۲۔ جناب احمد جہانگیر
-	9	9	9	۳۔ جناب نسیم بیگ
-	9	9	9	۴۔ مرزا محمد قمر بیگ

## ڈائریکٹرز رپورٹ

### ۲۔ ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
-	1	1	1	۱۔ ڈاکٹر سید سلمان شاہ (چیئر مین)*
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر
-	1	1	1	۴۔ جناب ہارون رشید
-	1	1	1	۵۔ جناب محمد ثاقب سلیم (سی ای او)

\* ڈاکٹر سید سلمان علی شاہ نے 10 جون 2019ء کو بورڈ سے استعفیٰ دیا اور مرزا قمر بیگ ممبر کے طور پر شامل کیا گیا اور کمیٹی کے چیئر مین کے طور پر بھی ان کی تقرری کی گئی۔

### ۳۔ رسک مینجمنٹ کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونریشن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
-	1	1	1	۱۔ جناب مرزا قمر بیگ (چیئر مین)
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر

## ڈائریکٹرز رپورٹ

m. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانسئل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شریک حیات اور چھوٹے بچوں نے فنڈ کے نوٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	واپسی	ڈیویڈنڈ کی تقسیم
					نوٹس کی تعداد
۱	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	7,208.14	19.35	1
۲	محمد آصف مہدی رضوی	چیف آپریٹنگ آفیسر اور چیف فنانسئل آفیسر	28,262.35	38,946.79	108.58

### خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے پر رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے والے سال کے لئے فنڈ کے آڈیٹرز کے طور پر ڈیلائیٹ یوسف عادل چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے۔

### اظہار تشکر

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

من جانب ڈائریکٹرز،



نسیم بیگ  
ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
13 ستمبر 2019ء

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

### Fund Type and Category

Alhamra Islamic Income Fund is an Open-End Shariah Compliant (Islamic) Income Scheme.

### Fund Benchmark

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

### Investment Objective

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

### Investment Strategy

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

### Manager's Review

During the period under review, the fund generated an annualized return of 8.24% as against its benchmark return of 3.70%.

During the period, the exposure in Shariah Compliant Commercial Paper stood at 12.4% at period-end. The fund was 32.1% invested in Corporate Sukuks while remaining exposure was in Cash.

The Net Assets of the Fund as at June 30, 2019 stood at Rs. 2,335 million as compared to Rs. 2,715 million as at June 30, 2018 registering a decrease of 13.99%.

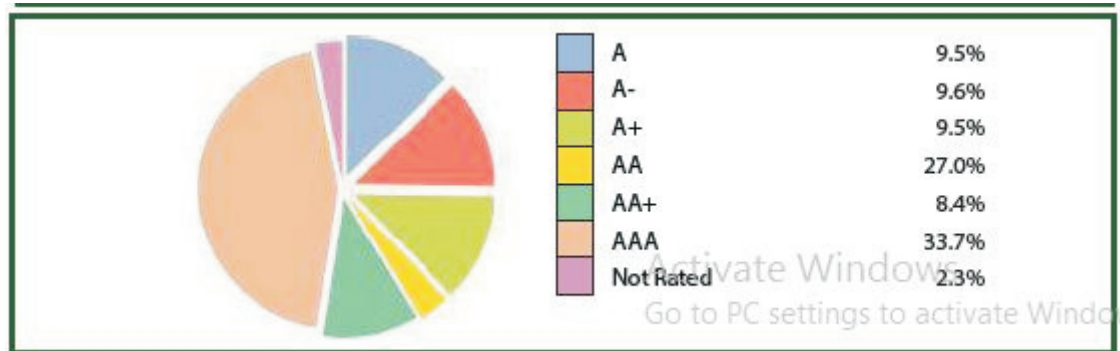
The Net Asset Value (NAV) per unit as at June 30, 2019 was Rs. 101.2221 as compared to opening NAV of Rs. 106.0918 per unit as at June 30, 2018 registering a decrease of Rs. 4.8697 per unit.

### Asset Allocation as on June 30, 2019 (% of total assets)

Particulars	Jun-19
Shariah Compliant Commercial Paper	12.4%
Others including receivables	2.2%
Sukuks	32.1%
Cash	47.0%
Shariah Compliant Bank Deposits	6.3%

## REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2019

Asset Quality as on June 30, 2019 (% of total assets)



Syed Mohammad Usama Iqbal  
Fund Manager

# 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 Shahra-e-Faisal  
Karachi - 74400. Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326021 - 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

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

We Central Depository Company of Pakistan Limited, being the Trustee of Alhamra Islamic Income Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2019 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.

**Badiuddin Akber**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: September 18, 2019



## REPORT OF THE SHARIAH ADVISORY BOARD

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### REPORT OF THE SHARIAH ADVISORY BOARD

Alhamdulillah, We the Shariah Advisory Board of the Fund, are issuing this report in accordance with the Offering document of Alhamra Islamic Income Fund (the Fund). The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

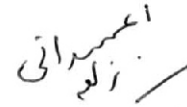
It is the responsibility of M/s MCB Arif Habib Savings and Investments limited (MCBAH), the management company of the fund, to establish and maintain a system of internal controls to ensure compliance with Shariah guidelines. Our responsibility is to express an opinion, based on our review of the representation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

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

- We have reviewed and approved the modes of investment of ALHIIF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of ALHIIF by Management Company are Shariah Compliant and in accordance with the criteria established.
- On the basis of information provided by the Management Company, all the operations of ALHIIF for the period from July 01, 2018 to June 30, 2019 have been in compliance with Shariah principles.

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

Karachi: September 18, 2019



Dr. Ejaz Samadani

For and on behalf of Shariah Advisory Board



# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



**Deloitte Yousuf Adil**  
Chartered Accountants  
Cavish Court, A-35, Block 7 & 8  
KCHSU, Shahrah-e-Faisal  
Karachi-75350  
Pakistan

Tel: +92 (0) 21 3454 6494-7  
Fax: +92 (0) 21- 3454 1314

www.deloitte.com

## INDEPENDENT AUDITOR'S REPORT

To The Unit Holders of Alhamra Islamic Income Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **Alhamra Islamic Income Fund** (the Fund), which comprise the statement of assets and liabilities as at June 30, 2019, and the income statement, statement of comprehensive income, statement of movement in unit holders' fund and cash flow statement for the year then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at June 30, 2019, and of its financial performance, cash flows for the year then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

S. No.	Key audit matter	How the matter was addressed in our audit
1	<b>Valuation and existence of investments</b>  As disclosed in note 5 to the financial statements, investments held at fair value through profit or loss (FVTPL) amounted to Rs. 1,209.507 million as at June 30, 2019, consisting of sukuk certificates, musharaka certificates and commercial paper, which represent significant item of the statement of assets and liabilities of the Fund.	We performed the following procedures during our audit of investments: <ul style="list-style-type: none"><li>evaluated design and implementation of controls in place related to purchases and sales of investments;</li><li>independently tested valuations to ensure that the investments are valued as per the</li></ul>

Member of  
**Deloitte Touche Tohmatsu Limited**

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



**Deloitte Yousuf Adil**  
Chartered Accountants

S. No.	Key audit matter	How the matter was addressed in our audit
	<p>The Fund's primary activity is, inter alia, to invest in short, medium and long-term Shari'ah Compliant fixed income instruments.</p> <p>Considering the above factors the existence and valuation are significant areas during our audit due to which we have considered this as a Key Audit Matter.</p>	<p>valuation methodology disclosed in the accounting policies;</p> <ul style="list-style-type: none"><li>• independently matched the number of sukuk certificates and commercial paper held by the Fund with the Central Deposit Company's account statement;</li><li>• obtained and checked the certificate of musharaka issued to the Fund by the Bank;</li><li>• tested purchases and sales on a sample basis to obtain evidence regarding movement of the securities; and</li><li>• any differences identified during our testing that were over our acceptable threshold were investigated further.</li></ul>

## Other Matter

The financial statements of the Fund for the year ended June 30, 2018 were audited by another firm of Chartered Accountants who through their report dated September 24, 2018 expressed an unmodified opinion thereon.

## Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

## Responsibilities of Management Company and Those Charged with Governance for the Financial Statements

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

In preparing the financial statements, Management Company is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the

Member of  
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# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS



**Deloitte Yousuf Adil**  
Chartered Accountants

going concern basis of accounting unless Management Company either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Those Charged with Governance of the Management Company are responsible for overseeing the Fund's financial reporting process.

## **Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Management Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management Company.
- Conclude on the appropriateness of Management Company's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Those Charged with Governance of the Management Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Member of  
**Deloitte Touche Tohmatsu Limited**

# INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

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**Deloitte Yousuf Adil**  
Chartered Accountants

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

## **Report on Other Legal and Regulatory Requirements**

In our opinion, the financial statements have been prepared in accordance with the relevant provisions of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and Non-Banking Finance Companies and Notified Entities Regulations, 2008.

The engagement partner on the audit resulting in this independent auditor's report is Hena Sadiq.

*Deloitte Yousuf Adil*  
Chartered Accountants =

**Date:** September 23, 2019

**Place:** Karachi

Member of  
**Deloitte Touche Tohmatsu Limited**

# STATEMENT OF ASSETS AND LIABILITIES AS AT JUNE 30, 2019

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
<b>ASSETS</b>			
Bank balances	4	1,119,459	1,981,855
Investments	5	1,209,507	722,449
Profit receivable	6	50,070	32,048
Advances, deposits, prepayment and other receivables	7	1,962	1,970
<b>Total assets</b>		<b>2,380,998</b>	<b>2,738,322</b>
<b>LIABILITIES</b>			
Payable to MCB-Arif Habib Savings and Investments Limited - Management Company	8	2,903	2,420
Payable to Central Depository Company of Pakistan Limited - Trustee	9	254	317
Payable to the Securities and Exchange Commission of Pakistan	10	1,934	2,081
Dividend payable		19,676	-
Accrued expenses and other liabilities	11	21,461	18,853
<b>Total liabilities</b>		<b>46,228</b>	<b>23,671</b>
<b>NET ASSETS</b>		<b>2,334,770</b>	<b>2,714,651</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>		<b>2,334,770</b>	<b>2,714,651</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	12		
		(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<b>23,065,802</b>	<b>25,587,761</b>
		(Rupees)	
<b>NET ASSETS VALUE PER UNIT</b>		<b>101.2221</b>	<b>106.0918</b>

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

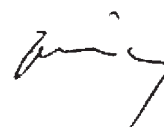
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director



# INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
<b>INCOME</b>			
Markup / Return on Investments	13	115,294	87,959
Loss on sale of investments - net		(539)	(1,535)
Markup on deposits with bank		138,524	88,364
Unrealised diminution in fair value of investments classified as 'at fair value through profit or loss' - net	5.2	(7,833)	(3,837)
Other income		581	-
<b>Total income</b>		<b>246,027</b>	<b>170,951</b>
<b>EXPENSES</b>			
Remuneration of MCB-Arif Habib Savings and Investments Limited - Management Company	8.1	24,654	17,445
Sindh Sales Tax on remuneration of Management Company	8.2	3,205	2,268
Allocated expenses and related taxes	8.3	2,579	3,135
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9.1	3,042	3,208
Sindh Sales Tax on remuneration of the Trustee	9.2	396	417
Annual fees of Securities and Exchange Commission of Pakistan	10.1	1,934	2,081
Auditors' remuneration	14	619	655
Security and transaction cost		15	145
Settlement and bank charges		286	270
Provision against Sindh Workers' Welfare Fund	11.1	4,155	2,799
Legal and professional charges		180	143
Shariah advisory fee		900	900
Fees and subscription		394	328
Printing and related costs		52	9
<b>Total operating expenses</b>		<b>42,411</b>	<b>33,803</b>
<b>Net income for the year before taxation</b>		<b>203,616</b>	<b>137,148</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>203,616</b>	<b>137,148</b>
<b>Allocation of net income for the year</b>			
Net income for the year after taxation		203,616	137,148
Income already paid on units redeemed		(106,286)	(94,684)
		<b>97,330</b>	<b>42,464</b>
<b>Accounting income available for distribution</b>			
Relating to capital gains		-	-
Excluding capital gains		<b>97,330</b>	<b>42,464</b>
<b>Earnings per unit</b>	3.13		

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

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

# STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 ----- (Rupees in '000) -----
Net income for the year after taxation	203,616	137,148
Other comprehensive income	-	-
<b>Total comprehensive income for the year</b>	<b>203,616</b>	<b>137,148</b>

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

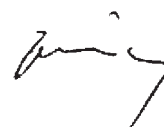
For MCB-Arif Habib Savings and Investments Limited  
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

# STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND FOR THE YEAR ENDED JUNE 30, 2019

	For year ended June 30,					
	2019			2018		
	(Rupees in '000)					
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
Net assets at beginning of the year	2,650,584	64,067	2,714,651	1,959,537	21,603	1,981,140
Issue of 66,326,421 units (2018: 72,690,821 units):						
- Capital value (at net asset value per unit at the beginning of the year)	6,707,564	-	6,707,564	7,347,268	-	7,347,268
- Element of income	199,758	-	199,758	172,793	-	172,793
	6,907,322	-	6,907,322	7,520,061	-	7,520,061
Redemption of 68,848,380 units (2018: 66,703,646 units):						
- Capital value (at net asset value per unit at the beginning of the year)	(6,962,609)	-	(6,962,609)	(6,742,111)	-	(6,742,111)
- Amount paid out of element of income	(125,662)	(106,286)	(231,948)	(86,903)	(94,684)	(181,587)
- Relating to 'Net income for the period after taxation'	(7,088,271)	(106,286)	(7,194,557)	(6,829,014)	(94,684)	(6,923,698)
Final distributions for the year ended June 30, 2018 (including additional units) at the rate of Rs. 4.9622 per unit (Declared on July 04, 2018)	(84,516)	(42,455)	(126,971)	-	-	-
Total comprehensive income for the year	-	203,616	203,616	-	137,148	137,148
Interim distributions for the year ended June 30, 2019 (including additional units) at the rate of Rs. 8.2327 per unit (Declared on June 27, 2019)	(72,061)	(97,230)	(169,291)	-	-	-
Net income for the year less distribution	(156,577)	63,931	(92,646)	-	137,148	137,148
<b>Net assets as at the end of the year</b>	<b>2,313,058</b>	<b>21,712</b>	<b>2,334,770</b>	<b>2,650,584</b>	<b>64,067</b>	<b>2,714,651</b>
Undistributed income brought forward						
- Realised		67,904			14,708	
- Unrealised		(3,837)			6,895	
		64,067			21,603	
Accounting income available for distribution						
- Relating to capital gains		-			-	
- Excluding capital gains		97,330			42,464	
		97,330			42,464	
Distributions during the year		(139,685)			-	
<b>Undistributed income carried forward</b>		<b>21,712</b>			<b>64,067</b>	
Undistributed income carried forward						
- Realised		29,545			67,904	
- Unrealised		(7,833)			(3,837)	
		21,712			64,067	
	(Rupees)			(Rupees)		
Net assets value per unit as at beginning of the year		106.0918			101.0756	
Net assets value per unit as at end of the year		101.2221			106.0918	

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

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**



# CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	203,616	137,148
<b>Adjustments for non cash and other items:</b>		
Unrealised diminution in value of investments classified as 'at fair value through profit or loss' - net	7,833	3,837
Provision against Sindh Workers' Welfare Fund	4,155	2,799
	<u>215,604</u>	<u>143,784</u>
<b>(Increase) / decrease in assets</b>		
Investments - net	(344,891)	341,272
Profit receivable	(18,022)	(19,106)
Advances, deposits, prepayment and other receivables	8	(1,718)
	<u>(362,905)</u>	<u>320,448</u>
<b>Increase / (decrease) in liabilities</b>		
Payable to the Management Company	483	1,322
Payable to the Trustee	(63)	133
Payable to the Securities and Exchange Commission of Pakistan	(147)	1,302
Dividend payable	19,676	-
Accrued expenses and other liabilities	(1,547)	1,185
Advance against issuance of units	-	(54,583)
	<u>18,402</u>	<u>(50,641)</u>
<b>Net cash (used in) / generated from operating activities</b>	<u>(128,899)</u>	<u>413,591</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Amount received against issuance of units	6,750,745	7,520,061
Amount paid against redemption of units	(7,194,557)	(6,923,698)
Distributions made during the year	(139,685)	-
<b>Net cash (used in) / generated from financing activities</b>	<u>(583,497)</u>	<u>596,363</u>
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>	<u>(712,396)</u>	<u>1,009,954</u>
Cash and cash equivalents at the beginning of the year	1,981,855	971,901
<b>Cash and cash equivalents at the end of the year</b>	<u>1,269,459</u>	<u>1,981,855</u>

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

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



Chief Executive Officer



Chief Financial Officer



Director

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

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

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

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

The Pakistan Credit Rating Agency Limited (PACRA) has maintained management quality rating of AM2++ dated April 08, 2019 to the Management Company and AA-(f) as stability rating dated June 27, 2019 to the Fund.

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

## 2. BASIS OF PREPARATION

### 2.1 Statement of compliance

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

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

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 2.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2019

The following standards, amendments and interpretations are effective for the year ended June 30, 2019. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures and impact of IFRS - 9 as disclosed in note 3.1.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 9 'Financial Instruments' - This standard will supersede IAS 39 Financial Instruments: Recognition and Measurement upon its effective date.	July 01, 2018
IFRS 15 'Revenue from Contract with Customers' - This standard will supersede IAS 18, IAS 11, IFRIC 13, 15 and 18 and SIC 31 upon its effective date.	July 01, 2018
IFRS 4 'Insurance Contracts': Amendments regarding the interaction of IFRS 4 and IFRS 9.	January 01, 2018
Amendments to IFRS 2 'Share-based Payment' - Clarification on the classification and measurement of share-based payment transactions	January 01, 2018
Amendments to IAS 40 'Investment Property': Clarification on transfers of property to or from investment property	January 01, 2018
IFRIC 22 'Foreign Currency Transactions and Advance Consideration': Provides guidance on transactions where consideration against non-monetary prepaid asset / deferred income is denominated in foreign currency.	January 01, 2018

Certain annual improvements have also been made to a number of IFRSs.

## 2.3 New accounting standards, amendments and IFRS interpretations that are not yet effective

The following standards, amendments and interpretations are only effective for accounting periods, beginning on or after the date mentioned against each of them. These standards, interpretations and the amendments are either not relevant to the Fund's operations or are not expected to have significant impact on the Fund's financial statements other than certain additional disclosures.

	<b>Effective from accounting period beginning on or after:</b>
IFRS 16 'Leases': This standard will supersede IAS 17 'Leases', IFRIC 4, SIC 15 and SIC 27 upon its effective date.	January 01, 2019
Amendments to IFRS 3 'Business Combinations' - Amendments regarding the definition of business.	January 01, 2020
Amendments to IFRS 9 'Financial Instruments' - Amendments regarding prepayment features with negative compensation and modifications of financial liabilities.	January 01, 2019
Amendments to IFRS 10 'Consolidated Financial Statements' and IAS 28 'Investments in Associates and Joint Ventures' - Sale or contribution of assets between an investor and its associate or joint venture.	Effective from accounting period beginning on or after a date to be determined. Earlier application is permitted.
Amendments to References to the Conceptual Framework in IFRS Standards.	January 01, 2020

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Effective from accounting period beginning on or after:
Amendments to IAS 1 'Presentation of Financial Statements' and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Amendments regarding the definition of material.	January 01, 2020
Amendments to IAS 19 'Employee Benefits' - Amendments regarding plan amendments, curtailments or settlements.	January 01, 2019
Amendments to IAS 28 'Investments in Associates and Joint Ventures' - Amendments regarding long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.	January 01, 2019
IFRIC 23 'Uncertainty over Income Tax Treatments': Clarifies the accounting treatment in relation to determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12 'Income Taxes'.	January 01, 2019

Certain annual improvements have also been made to a number of IFRSs.

Other than the aforesaid standards, interpretations and amendments, the International Accounting Standards Board (IASB) has also issued the following standards which have not been adopted locally by the Securities and Exchange Commission of Pakistan:

- IFRS 1 – First Time Adoption of International Financial Reporting Standards
- IFRS 14 – Regulatory Deferral Accounts
- IFRS 17 – Insurance Contracts

## 2.4 Critical accounting estimates and judgements

The preparation of the financial statements in conformity with the accounting and reporting standards as applicable in Pakistan requires the management to make estimates, judgements and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in the application of its accounting policies. The estimates, judgments and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. These estimates and underlying assumptions are reviewed on an ongoing basis.

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

- Classification and valuation of financial assets (notes 3.1 and 5)
- Impairment of financial assets (notes 3.1)
- Taxation (notes 3.6 and 16)

Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

## 2.5 Basis of measurement

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

## 2.6 Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the Fund operates. These financial statements are presented in Pakistani Rupees which is the Fund's functional and presentation currency. Amounts presented in the financial statements have been round off for the nearest thousand rupees, unless otherwise stated.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied except for the change as disclosed in note 3.1 to these financial statements.

### 3.1 Impact of initial application of IFRS 9 Financial Instruments

- 3.1.1 During the current financial year, the Fund has applied IFRS 9 Financial Instruments issued in July 24, 2017 and the related consequential amendments to other IFRS Standards that are effective for an annual period ending on or after June 30, 2019 based on adoption date communicated by Securities and Exchange Commission of Pakistan. The transition provisions of IFRS 9 allow an entity not to restate comparatives. The Fund has elected not to restate comparatives in respect of the classification and measurement of financial instruments.

IFRS 9 introduced new requirements for:

- 1) The classification and measurement of financial assets and financial liabilities,
- 2) Impairment of financial assets, and
- 3) General hedge accounting.

Details of these new requirements as well as their impact on the Fund's financial statements are described below except the General Hedge Accounting which the Fund does not apply. The Fund has applied IFRS 9 in accordance with the transition provisions set out in IFRS 9.

#### (a) Classification and measurement of financial assets

The date of initial application (i.e. the date on which the Fund has assessed its existing financial assets and financial liabilities in terms of the requirements of IFRS 9) is July 01, 2018. Accordingly, the Fund has applied the requirements of IFRS 9 to instruments that continue to be recognised as at July 01, 2018 and has not applied the requirements to instruments that have already been derecognised as at July 01, 2018. Comparative amounts in relation to instruments that continue to be recognised as at July 01, 2018 have not been restated as allowed by IFRS 9.

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

The Fund recognises financial assets and financial liabilities on the date it becomes a party to the contractual provisions of the instrument.

All recognised financial assets that are within the scope of IFRS 9 are required to be measured subsequently at amortised cost or fair value on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:

- debt instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at amortised cost;
- debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the debt instruments, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured subsequently at fair value through other comprehensive income (FVTOCI);
- all other debt and equity instruments are measured subsequently at fair value through profit or loss (FVTPL).

Despite the foregoing, the Fund may make the following irrevocable election/designation at initial recognition of a financial asset;

- the Fund may irrevocably elect to present subsequent changes in fair value of an equity investment that is neither held for trading nor contingent consideration recognised by an acquirer in a business combination in other comprehensive income; and

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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- the Fund may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

When a debt investment measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment. When an equity investment designated as measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is subsequently transferred to undistributed income directly.

Debt instruments that are measured subsequently at amortised cost or at FVTOCI are subject to impairment. Please see para (b) below for applicability of impairment requirements of IFRS 9.

The Management has reviewed and assessed the Fund's existing financial assets as at July 01, 2018 based on the facts and circumstances that existed at that date and concluded that the initial application of IFRS 9 has had the following impact on the Fund's financial assets as regards their classification and measurement:

- there is no change in the measurement of the Fund's investments in sukuk certificates that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- there is no change in the measurement of the Fund's investments in government securities that were held for trading under IAS 39; those instruments were and continue to be measured in the same manner under the new classification of IFRS 9 i.e. at FVTPL;
- financial assets classified loans and receivables under IAS 39 that were measured at amortised cost continue to be measured at amortised cost using effective interest rate method under the new classification of IFRS 9 "Amortised Cost" as they are held within a business model to collect contractual cash flows and these cash flows consist solely of payments of principal and interest on the principal amount outstanding.

The Fund classifies its investments based on both the Fund's business model for managing those financial assets and the contractual cash flow characteristics of the financial assets. The evaluation of the performance of the Fund is performed on fair value basis for the entire portfolio, as reporting to the key management personnel and to the investors is in the form of net asset value (NAV). The investment portfolio of financial assets is also managed and performance is evaluated on a fair value basis. The Fund is primarily focused on fair value information and uses that information to assess the assets' performance and to make decisions. Consequently, all the investments are measured at fair value through profit or loss. For other financial assets which are held for collection continue to be measured at amortised cost.

None of the other reclassifications of financial assets have had any impact on the Fund's statement of assets and liabilities, income statement, other comprehensive income or total comprehensive income in either year.

### **(b) Impairment of financial assets**

The SECP/Commission has through its letter no. SCD/AMCW/RS/MUFAP/2017-148 dated November 21, 2017 has deferred the applicability of the impairment requirements of IFRS 9 for debt securities on mutual funds. Therefore the Fund will not be subject to the impairment provisions of IFRS 9 on debt securities.

For financial assets other than debt securities measured at amortised cost, IFRS 9 requires recognition of impairment based on expected credit loss (ECL) model rather than incurred credit loss model as previously required under IAS 39. Under IFRS 9, the Fund is required to measure loss allowance equal to an amount equal to lifetime ECL or 12 months ECL based on credit risk.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed credit assessment and including forward-looking information.

However, majority of the assets of the Fund exposed to credit risk pertain to counter parties which have high credit rating or where credit risk has not been increased since initial recognition. Therefore, management believes that the impact of ECL would be very minimal and hence, the same has not been accounted for in these financial statements.

### **(c) Classification and measurement of financial liabilities**

Financial liabilities are not recognised unless one of the parties has performed its part of the contract or the contract is a derivative contract.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

A significant change introduced by IFRS 9 in the classification and measurement of financial liabilities relates to the accounting for changes in the fair value of a financial liability designated as at FVTPL attributable to changes in the credit risk of the issuer.

The application of IFRS 9 has had no impact on the classification and measurement of the Fund's financial liabilities because the Fund does not have any financial liabilities designated as FVTPL.

## (d) Disclosures in relation to the initial application of IFRS 9

The table below shows impact of change in accounting policies due to adoption of IFRS 9:

Financial assets and financial liabilities	Original classification as per IAS 39	New classification as per IFRS 9	Carrying amount as per IAS 39 as on June 30, 2018	Carrying amount on initial adoption of IFRS 9 on July 01, 2018	Effect on July 01, 2018 on Retained Earnings
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----- Rupees in '000-----

### Financial assets

Bank balances	LR	AC	1,981,855	1,981,855	-
Government securities	HFT	FVTPL	37,141	37,141	-
Sukuk certificates - Unlisted	HFT	FVTPL	685,308	685,308	-
Profit receivable	LR	AC	32,048	32,048	-
Other receivables	LR	AC	1,495	1,495	-

### Financial liabilities

Payable to the Management Company	OFL	AC	2,188	2,188	-
Payable to the Trustee	OFL	AC	281	281	-
Accrued expenses and other liabilities	OFL	AC	717	717	-

- "LR" is loans and receivables
- "AC" is amortised cost
- "HFT" is held for trading
- "FVTPL" is fair value through profit or loss
- "OFL" is other financial liabilities

## 3.1.2 Fair value measurement principles and provision

The fair value of financial instruments is determined as follows:

### Basis of valuation of government securities:

The government securities not listed on a stock exchange and traded in the interbank market are valued at the average rates quoted on a widely used electronic quotation system (PKRV / PKISRV rates) which are based on the remaining tenor of the securities.

### Basis of valuation of debt securities:

The fair value of debt securities (other than government securities) is based on the value determined and announced by Mutual Funds association of Pakistan (MUFAP) in accordance with the criteria laid down in Circular No. 1 of 2009 and Circular No. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP). In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The aforementioned circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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## 3.1.3 Transition to IFRS 9 Financial Instruments

Accounting policies applied to financial instruments prior to July 01, 2018.

### Classification

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

#### (a) Investments as 'at fair value through profit or loss'

An instrument is classified as 'at fair value through profit or loss' if it is held-for-trading or is designated as such upon initial recognition. Financial instruments are designated as 'at fair value through profit or loss' if the Fund manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Fund's documented risk management or investment strategy. Financial assets which are acquired principally for the purpose of generating profit from short term price fluctuation or are part of the portfolio in which there is recent actual pattern of short term profit taking are classified as held for trading or a derivative.

Financial instruments as 'at fair value through profit or loss' are measured at fair value, and changes therein are recognised in Income Statement.

#### (b) Loans and receivables

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

#### (c) Available for sale

These are non-derivatives financial assets that are either designated in this category or are not classified in any of the other categories mentioned above.

### Measurement

Financial instruments are measured initially at fair value (transaction price) plus, in case of a financial asset or financial liability not 'at fair value through profit or loss', transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability. Transaction costs on financial assets and financial liabilities 'at fair value through profit or loss' are expensed immediately.

Subsequent to initial recognition, instruments classified as financial assets 'at fair value through profit or loss' and 'available for sale' are measured at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' are recognised in the Income Statement. The changes in the fair value of instruments classified as 'available for sale' are recognised in other comprehensive income until derecognised or impaired when the accumulated fair value adjustments recognised in other comprehensive income are transferred to Income Statement through other comprehensive income.

Financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest rate method, less impairment losses, if any.

Financial liabilities, other than those at 'fair value through profit or loss', are measured at amortised cost using the effective interest rate method.

## 3.2 Cash and cash equivalents

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



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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## 3.3 Financial liabilities

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

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

## 3.4 Offsetting of financial assets and liabilities

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

## 3.5 Provisions

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

## 3.6 Taxation

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

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

## 3.7 Dividend distribution and appropriations

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

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

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

## 3.8 Issue and redemption of units

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

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

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 element of income is a transaction of capital nature and the receipt and payment of element of income is 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 is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 3.9 Net asset value per unit

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

## 3.10 Revenue recognition

- Gain or loss on sale of investment is accounted for in the income statement in the period in which it arises.
- Unrealised gain / loss arising on revaluation of investments classified as 'at fair value through profit or loss' is included in the income statement in the period in which it arises.
- Income / profit from bank balances, investments in sukuks and government securities certificate of musharka and commercial paper is recognised on a time proportionate basis using effective interest rate method.

## 3.11 Transaction costs

Transaction costs incurred to acquire assets at FVTPL are immediately recognised as expenses in the income statement.

## 3.12 Expenses

All expenses chargeable to the Fund including remuneration of the Management Company, Trustee fee and annual fee of the SECP are recognised in the Income Statement on an accrual basis.

## 3.13 Earnings per unit

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

4. BANK BALANCES	Note	2019 ----- (Rupees in '000) -----	2018
In saving accounts	4.1	1,111,516	1,973,916
In current accounts	4.2	7,943	7,939
		1,119,459	1,981,855

4.1 These carry profit at the rates ranging between 11.75% to 13.5% (2018: 3.75% and 7.35%) per annum and include Rs. 0.018 million (2018: Rs. 0.016 million) maintained with MCB Islamic Bank Limited (a related party) and Rs 229.360 million (2018: Rs. 814.236 million) maintained with Silk Bank Limited - Emaan Islamic Bank (a related party).

4.2 These include Rs 7.542 million (2018: Rs 5.355 million) maintained with MCB Bank Limited, a connected person / related party.

5. INVESTMENTS	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
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### Financial assets at fair value through profit or loss

Sukuk certificates- Unlisted	5.1.1	765,249	685,308
Government securities - Government of Pakistan (GoP) Ijara sukuks	5.1.2	-	37,141
Musharka certificate	5.1.3	150,000	-
Commercial paper	5.1.4	294,258	-
		1,209,507	722,449

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 5.1 Financial assets at fair value through profit or loss

### 5.1.1 Sukuk certificates - Unlisted

Certificates have a face value of Rs 100,000 each unless stated otherwise

Name of investee company	Number of certificates					As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 1, 2018	Purchased during the year	Matured during the year	Disposed off during the year	As at June 30, 2019	Carrying value	Market value	Appreciation / (diminution)			
(Rupees in '000)											
<b>Fertilizer</b>											
Engro Fertilizers Limited *	23,600	-	-	23,600	-	-	-	-	-	-	-
<b>Chemical</b>											
Ghani Gases Limited	1,000	-	-	-	1,000	62,444	62,647	203	2.68	5.18	
<b>Pharmaceutical</b>											
Aspin Pharma (Private) Limited	2,000	-	-	147	1,853	165,638	164,674	(964)	7.05	13.61	
<b>Power</b>											
The Hub Power Company Limited *	-	40,000	-	-	40,000	200,000	200,000	-	8.57	16.54	
<b>Miscellaneous</b>											
International Brands Limited	3,450	-	-	-	3,450	345,000	337,928	(7,072)	14.47	27.94	
<b>As at June 30, 2019</b>						<b>773,082</b>	<b>765,249</b>	<b>(7,833)</b>			
As at June 30, 2018						689,176	685,308	(3,868)			

\* Face value of the certificate is Rs. 5,000

### 5.1.1.1 Significant terms and conditions of sukuk certificates held as at June 30, 2019 are as follows:

Particulars	Issue date	Maturity date	Offered rate	Profit rate	Issue rating	Secured / unsecured
Ghani Gases Limited	February 2, 2017	February 2, 2023	3 months KIBOR + 1.00%	12.10%	A	Secured
Aspin Pharma (Private) Limited	November 30, 2017	November 30, 2023	3 months KIBOR + 1.50%	14.38%	A	Secured
The HUB Power Company Limited	February 27, 2019	September 30, 2019	3 months KIBOR + 1.00%	13.85%	AA+	Unsecured
International Brands Limited	November 15, 2017	November 15, 2021	12 months KIBOR + 0.50%	11.03%	AA	Secured

### 5.1.2 Government securities - Government of Pakistan (GoP) Ijara sukuk

Name of investee company	Number of certificates					As at June 30, 2019			Market value as a percentage of net assets	Market value as a percentage of total investment	
	As at July 1, 2018	Purchased during the year	Matured during the year	Disposed off during the year	As at June 30, 2019	Carrying value	Market value	Appreciation / (diminution)			
(Rupees in '000)											
GoP Ijarah Sukuks	37,000	-	-	37,000	-	-	-	-	-	-	
As at June 30, 2019						-	-	-			
As at June 30, 2018						37,110	37,141	31			

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2019**

**5.1.3 Musharka certificate**

Particulars	Profit rate	Issue Date	Maturity Date	Carrying value (Rupees in '000)	Market value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
Bank Islami Pakistan Limited	13.30%	27-Jun-19	29-Jul-19	150,000	150,000	6.42	12.40
<b>Total as at June 30, 2019</b>				<b>150,000</b>	<b>150,000</b>		
Total as at June 30, 2018				-	-		

**5.1.4 Commercial paper**

Particulars	Profit rate	Issue date	Maturity date	Carrying value (Rupees in '000)	Market value	Carrying value as a percentage of net assets	Carrying value as a percentage of total investments
K Electric Limited	11.75%	1-Mar-19	2-Sep-19	300,000	294,258	12.60	24.33
<b>Total as at June 30, 2019</b>				<b>300,000</b>	<b>294,258</b>		
Total as at June 30, 2018				-	-		

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
<b>5.2 Net unrealised appreciation in value of investments at fair value through profit or loss</b>			
Market value as at June 30	5.1.1 & 5.1.2	765,249	722,449
carrying value as at June 30	5.1.1 & 5.1.2	(773,082)	(726,286)
		(7,833)	(3,837)
<b>6. PROFIT RECEIVABLE</b>			
Profit receivable on:			
Deposits with banks		19,475	10,917
Sukuk Certificates		30,376	21,058
GoP Ijara Sukuks		-	73
Musharka Certificates		219	-
		50,070	32,048
<b>7. ADVANCES, DEPOSITS, PREPAYMENT AND OTHER RECEIVABLES</b>			
Security deposit with the Central Depository Company of Pakistan Limited		100	100
Prepayment		184	-
Advance tax		1,678	375
Receivable against sale of units		-	1,495
		1,962	1,970
<b>8. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED - MANAGEMENT COMPANY</b>			
Management remuneration payable	8.1	2,297	1,788
Sindh sales tax payable on management remuneration	8.2	299	232
Sales load payable		50	78
Payable against Shariah advisory fee		75	75
Payable against allocated expenses	8.3	182	247
		2,903	2,420
<b>8.1</b>	The Management Company has charged remuneration at a rate of 10% of daily gross income subject to a minimum of 0.25% of average annual net assets and maximum of 1.5% of average annual net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.		
<b>8.2</b>	Sindh Sales Tax on management fee has been charged at 13% (2018: 13%).		
<b>8.3</b>	Up till June 19, 2019, in accordance with the provisions of the NBFC Regulations, 2008 (as amended vide S.R.O 1160(I) / 2015 dated November 25, 2015), the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. During the year, SECP, vide SRO no. 639 (I)/2019 dated June 20, 2019, has removed the maximum cap of 0.1%. Accordingly, the Management Company has charged expenses at the rate of 0.1% per annum of the average annual net assets of the Fund being lower than actual expenses chargeable to the Fund, from July 01, 2018 to June 19, 2019 and actual expenses related to registrar services, accounting, operations and valuation services to the CIS with effect from June 20, 2019.		
		June 30, 2019	June 30, 2018
	Note	----- (Rupees in '000) -----	
<b>9. PAYABLE TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
Trustee remuneration payable	9.1	225	281
Sindh Sales Tax payable on trustee remuneration	9.2	29	36
		254	317

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

- 9.1** Under the provisions of the Trust Deed, the Trustee is entitled to a remuneration, to be paid monthly in arrears as per the following tariff structure. There has been no change in the tariff structure during the year.

Net Assets Value (NAV)	Tariff per annum
Up to Rs 1,000 million	0.17% per annum of Net Assets
On an amount exceeding Rs 1,000 million	Rs 1.7 million plus 0.085% per annum of Net Assets exceeding Rs 1,000 million up to Rs 5,000 million
On an amount exceeding Rs. 5,000 million	Rs 5.1 million plus 0.07% per annum of Net Assets exceeding Rs 5,000 million

- 9.2** Sindh Sales Tax at 13% (2018: 13%) is charged on Trustee fee.

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
<b>10. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN</b>			

Annual fee payable to the SECP	10.1	<u>1,934</u>	<u>2,081</u>
--------------------------------	------	--------------	--------------

- 10.1** Under the provision of the Non Banking Finance Companies and Notified Entities Regulations, 2008, a collective investment scheme categorised as an Income Scheme is required to pay as annual fee to the SECP an amount equal to 0.075% of the daily average annual net assets of the Fund.

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
<b>11. ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund	11.1	8,877	4,722
Provision for Federal Excise Duty and related tax on			
- Management fee	11.2	8,639	8,639
- Sales load		3,028	3,028
Sales load payable to - MCB Bank Limited (a related party)		50	8
Auditors' remuneration		383	437
Capital gain tax payable		363	1,165
Sindh sales tax payable on allocated expenses		-	582
Printing charges payable		40	40
Others		81	83
Payable against rating fee		-	149
		<u>21,461</u>	<u>18,853</u>

## 11.1 Provision for Sindh Workers' Welfare Fund

The Supreme Court of Pakistan passed a judgment on November 10, 2016, which upheld the view of Lahore High Court, declaring the insertion of amendments through Finance Acts 2006 and 2008 pertaining to Workers' Welfare Fund (WWF) as unlawful and there by striking down the amendments introduced through these Finance Acts. The Federal Board of Revenue has filed a petition in the Supreme Court against the said judgment, which is pending hearing.

Mutual Fund Association of Pakistan (MUFAP), on behalf of all Asset Management Companies (AMCs), obtained a legal opinion dated December 5, 2016 on the matter, according to which there is no longer any basis in law to claim WWF payments from the mutual funds under the WWF Ordinance. After deliberating the position, The Mutual Fund Association of Pakistan (MUFAP) decided that the provision for WWF held for the period from January 1, 2013 to June 30, 2015 be reversed effective January 12, 2017.

Furthermore, the Sindh Revenue Board (SRB) had written to mutual funds in January 2016 to register and pay Sindh Workers Welfare Fund (SWWF) for the accounting year closing on or after December 31, 2013. MUFAP reviewed the issue and based on an opinion dated August 2016 decided that SWWF is not applicable on mutual funds as they are not financial institutions as required by SWWF Act, 2014. MUFAP wrote to SRB that mutual funds are not establishments and are pass through vehicles hence, they do not have any worker and no SWWF is payable by them. SRB on November 11, 2016 responded back that as mutual funds are included in definition of financial institutions in The Financial Institutions (Recovery of Finance) Ordinance, 2001, SWWF is payable by them. MUFAP has taken up the matter with the Sindh Finance Ministry to have mutual funds excluded from SWWF.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

MUFAP has also obtained a legal opinion that SWWF, if applicable, can only be applied from the date of enactment of SWWF Act, 2014, i.e. May 21, 2015. Accordingly, on January 12, 2017, MUFAP instructed to provide for SWWF with effect from May 21, 2015, while the efforts to exclude mutual funds for SWWF continue. The aggregate balance of SWWF provision in the book of accounts of the Fund as on June 30, 2019 is Rs. 8.877 million. Had this provision not been made, the NAV of the Fund would have been higher by Re.0.3849 per unit (June 30, 2018: Re.0.1845 per unit).

The SECP has also concurred with the directions issued by MUFAP through its letter no. SCD/AMCW/MUFAP/2017 - 405 dated February 01, 2017.

## 11.2 Federal Excise Duty and related tax payable

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

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

On July 16, 2016, 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, the provision for FED made prior to this period has been maintained by the Fund which at June 30, 2019 aggregates to Rs. 8.639 (2018: Rs. 8.639) million. Had the provision for FED not been recorded in the financial statements of the Fund, the net assets value of the Fund as at June 30, 2019 would have been higher by Re. 0.3746 per unit (June 30, 2018: Re. 0.3376 per unit).

## 12. CONTINGENCIES & COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2019 and June 30, 2018.

## 13. MARKUP / RETURN ON INVESTMENTS

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
Government Securities	543	6,681
Sukuk Certificates	71,145	43,805
Musharka Certificate	8,179	32,093
Commercial Paper	35,427	5,380
	<u>115,294</u>	<u>87,959</u>



# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
<b>14. AUDITORS' REMUNERATION</b>		
Annual audit fee	329	329
Half yearly review fee	171	171
Income certifications	50	108
Out of pocket expenses	69	47
	<u>619</u>	<u>655</u>

## 15. TOTAL EXPENSE RATIO

The Total Expense Ratio (TER) of the Fund for the year ended June 30, 2019 is 1.62% (2018: 1.22%) which includes 0.35% (2018: 0.29%) representing government levies on the Fund such as provision for Sindh Workers' Welfare Fund, sales taxes, federal excise duties, annual fee to the SECP, etc. This ratio is within the maximum limit of 2.5% (2018: 2%) prescribed under the NBFC Regulations for a collective investment scheme categorised as a Shariah Compliant income scheme.

## 16. TAXATION

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

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
<b>17. CASH AND CASH EQUIVALENTS</b>		
Bank balances	4	1,119,459
Musharka certificate	5.1.3	150,000
	<u>1,269,459</u>	<u>1,981,855</u>

## 18. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

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

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

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

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

**18.1 Transactions during the period with connected persons / related parties in units of the Fund:**

For the year ended June 30, 2018								
	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018	As at July 01, 2017	Issued for cash	Redeemed	As at June 30, 2018
	Units							
	(Rupees in '000)							
<b>Associated Companies:</b>								
Adamejee Life Assurance Company Limited (Amanat Fund)	119,318	1,612,570	1,731,888	-	12,060	165,600	176,506	-
AlHamra Islamic Active Allocation Fund (Plan I)	6,151,984	18,695,068	18,030,717	6,816,335	621,815	1,946,896	1,876,896	723,157
AlHamra Islamic Active Allocation Fund (Plan II)	495,648	14,906,564	11,436,373	3,965,839	50,098	1,539,091	1,190,591	420,743
<b>Mandate Under Discretionary Portfolio Services</b>	748,015	543,092	548,808	742,299	69,535	24,653	24,607	69,535
<b>Key management personnel</b>	88,426	237,989	237,253	89,162	8,938	24,653	24,607	4,282

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	June 30, 2019	June 30, 2018
	----- (Rupees in '000) -----	
<b>18.2 Details of transactions with related parties / connected persons during the year</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Remuneration including indirect taxes	27,859	19,713
Allocated expenses including indirect taxes	2,579	3,135
Shariah advisory fee	900	900
<b>MCB Bank Limited - Parent of the Management Company</b>		
Profit on bank balances	-	51
Bank charges	72	79
<b>MCB Islamic Bank Limited - Subsidiary of Parent of the Management Company</b>		
Profit on bank balances	7	32
<b>Silkbank Limited - Common Directorship</b>		
Profit on bank balances	49,077	40,442
Bank charges	50	19
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the trustee (including indirect taxes)	3,438	3,625
CDC settlement charges	8	
<b>Next Capital Limited - Joint Venture of MCB Bank Limited &amp; Arif Habib Corporation Limited</b>		
Sale of security Face Value Rs. 14,200,000 (2018: Nil)	14,186	-
Brokerage expense	16	49
<b>18.3 Details of balances with related parties / connected persons as at year end</b>		
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>		
Management remuneration payable	2,297	1,788
Sindh sales tax payable on management remuneration	299	232
Front-end load payable	44	68
Sales tax on front end load	6	10
Payable against Shariah advisory fee	75	75
Payable against allocated expenses	182	247
Receivable against sale of units	-	1,495
<b>MCB Bank Limited - Parent of the Management Company</b>		
Bank balances	7,542	5,355
Front-end load payable	50	8
<b>MCB Islamic Bank Limited - Subsidiary of Parent</b>		
Bank balances	18	16
Profit receivable on bank balances	-	9
<b>Silkbank Limited - Common Directorship</b>		
Bank balances	229,360	814,236
Profit receivable on bank balances	8,984	9,497
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee remuneration payable	225	281
Sindh Sales Tax payable on trustee remuneration	29	36
Security deposit	100	100
<b>Next Capital Limited - Joint Venture of MCB Bank Limited &amp; Arif Habib Corporation Limited</b>		
Brokerage Payable *	3	-

\* The amount disclosed represents the amount of brokerage expense incurred against related parties / connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with connected persons as the ultimate counter parties are not related parties / connected persons.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 19. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

The following table shows financial instruments recognized at fair value, based on:

**Level 1:** quoted prices in active markets for identical assets or liabilities;

**Level 2:** those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

**Level 3:** those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

	June 30, 2019						
	Carrying amount		Fair value				
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	(Rupees in '000)						
Financial assets measured at fair value							
Sukuk certificates	765,249	-	765,249	-	765,249	-	765,249
Musharka certificate	150,000	-	150,000	-	-	150,000	150,000
Commercial paper	294,258	-	294,258	-	-	294,258	294,258
	1,209,507	-	1,209,507	-	765,249	444,258	1,209,507
Financial assets not measured at fair value							
Bank balances	-	1,119,459	1,119,459				
Profit receivable	-	50,070	50,070				
Other receivables	-	-	-				
	-	1,169,529	1,169,529				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	2,604	2,604				
Payable to the Trustee	-	225	225				
Accrued expenses and other liabilities	-	554	554				
	-	3,383	3,383				

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

June 30, 2018						
Carrying amount		Fair value				
Fair value through profit or loss - held for trading	Loans and receivables / Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
(Rupees in '000)						
37,141	-	37,141	-	37,141	-	37,141
685,308	-	685,308	-	685,308	-	685,308
722,449	-	722,449	-	722,449	-	722,449
-	1,981,855	1,981,855				
-	32,048	32,048				
-	1,495	1,495				
-	2,015,398	2,015,398				
-	2,188	2,188				
-	281	281				
-	717	717				
-	3,186	3,186				

During the year ended June 30, 2019, there were no transfers between levels fair value measurements, and no transfer into and out of level 3 fair value measurements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 20. FINANCIAL RISK MANAGEMENT

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

### 20.1 Market risk

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

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

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

#### 20.1.1 Currency risk

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

#### 20.1.2 Profit rate risk

Profit rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market profit rates. As of June 30, 2019, the Fund is exposed to such risk on its balances held with banks, sukuk certificates, investment in musharka certificate and commercial paper. The Investment Committee of the Fund reviews the portfolio of the Fund on a regular basis to ensure that the risk is managed within the acceptable limits.

As of June 30, 2019, details of Fund's profit bearing financial instruments were as follows:

	Note	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018
<b>Variable rate instruments (financial asset)</b>			
Balances with banks	4	1,111,516	1,973,916
Sukuk certificates- Unlisted	5.1.1	765,249	685,308
Government securities - Government of Pakistan (GoP) Ijara sukuks	5.1.2	-	37,141
		<b>1,876,765</b>	<b>2,696,365</b>
<b>Fixed rate instruments (financial assets)</b>			
Musharka certificate	5.1.3	150,000	-
Commercial paper	5.1.4	294,258	-
		<b>444,258</b>	<b>-</b>

#### a) Sensitivity analysis for variable rate instruments

A change of 100 basis points in profit rates at the reporting date would have increased / decreased profit before taxation and total comprehensive income by Rs 18.768 million (2018: Rs 26.964 million) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

#### b) Sensitivity analysis for fixed rate instruments

A reasonably possible change of 100 basis points in profit rates at the reporting date would have increased / decreased the profit before taxation and total comprehensive income by Rs. 4.423 million (2018: Nil) and consequently statement of movement in unit holders' fund would be affected by the same amount. The analysis assumes that all other variables remain constant.

The composition of the Fund's investments may change over time. Accordingly, the sensitivity analysis prepared as at June 30, 2019 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

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

Particulars	As at June 30, 2019					
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupees in '000)				

(Rupees in '000)

## On-balance sheet financial instruments

### Financial assets

Bank balances	11.75 to 13.50	1,111,516	-	-	7,943	1,119,459
Investments classified as:						
- At fair value through profit or loss'	11.03 to 14.37	644,258	-	565,249	-	1,209,507
Profit receivable		-	-	-	50,070	50,070
<b>Sub total</b>		<b>1,755,774</b>	<b>-</b>	<b>565,249</b>	<b>58,013</b>	<b>2,379,036</b>

### Financial liabilities

Payable to the Management Company		-	-	-	2,604	2,604
Payable to the Trustee		-	-	-	225	225
Accrued expenses and other liabilities		-	-	-	554	554
<b>Sub total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,383</b>	<b>3,383</b>

<b>On-balance sheet gap</b>		<b>1,755,774</b>	<b>-</b>	<b>565,249</b>	<b>54,630</b>	<b>2,375,653</b>
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<b>Total profit rate sensitivity gap</b>		<b>1,755,774</b>	<b>-</b>	<b>565,249</b>	<b>54,630</b>	<b>2,375,653</b>
--	--	------------------	----------	----------------	---------------	------------------

<b>Cumulative profit rate sensitivity gap</b>		<b>1,755,774</b>	<b>1,755,774</b>	<b>2,321,023</b>		
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Particulars	As at June 30, 2018					
	Effective yield / rate	Exposed to yield risk			Not exposed to yield rate risk	Total
		Upto three months	More than three months and up to one year	More than one year		
	%	(Rupees in '000)				

(Rupees in '000)

## On-balance sheet financial instruments

### Financial assets

Bank balances	3.75 to 7.35	1,973,916	-	-	7,939	1,981,855
Investments classified as:						
- At fair value through profit or loss'	5.51 to 8.30	-	37,141	685,308	-	722,449
Profit receivable		-	-	-	32,048	32,048
Deposits and other receivables		-	-	-	1,495	1,495
<b>Sub total</b>		<b>1,973,916</b>	<b>37,141</b>	<b>685,308</b>	<b>41,482</b>	<b>2,737,847</b>

### Financial liabilities

Payable to the Management Company		-	-	-	2,188	2,188
Payable to the Trustee		-	-	-	281	281
Accrued expenses and other liabilities		-	-	-	717	717
<b>Sub Total</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>3,186</b>	<b>3,186</b>

<b>On-balance sheet gap</b>		<b>1,973,916</b>	<b>37,141</b>	<b>685,308</b>	<b>38,296</b>	<b>2,734,661</b>
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<b>Total profit rate sensitivity gap</b>		<b>1,973,916</b>	<b>37,141</b>	<b>685,308</b>	<b>38,296</b>	<b>2,734,661</b>
--	--	------------------	---------------	----------------	---------------	------------------

<b>Cumulative profit rate sensitivity gap</b>		<b>1,973,916</b>	<b>2,011,057</b>	<b>2,696,365</b>		
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# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 20.1.3 Price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. Since the Fund is not allowed to invest in equity securities, hence it is not exposed to equity price risk.

## 20.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund is exposed to counter party credit risks on investment in sukuk certificates, certificate of musharka, commercial paper, profit receivables, other receivables and balances with banks. The credit risk for Fund is limited because the counterparties are financial institutions with reasonably high credit ratings.

The Fund has adopted a policy of only dealing with creditworthy counterparties, and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. This information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major customers. The Fund's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties.

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

The Fund's maximum exposure to credit risk is the carrying amounts of following financial assets.

	2019		2018	
	Balance as per statement of assets and liabilities	Maximum exposure	Balance as per statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Balances with banks	1,119,459	1,119,459	1,981,855	1,981,855
Investments	1,209,507	1,209,507	722,449	685,308
Profit receivable	50,070	50,070	32,048	31,975
Other receivable	-	-	1,495	1,495
	<b>2,379,036</b>	<b>2,379,036</b>	<b>2,737,847</b>	<b>2,700,633</b>

Difference in the balance as per the statement of assets and liabilities and maximum exposure is due to the fact that investments in Government securities of Nil (2018: Rs 37.14 million) including profit receivable on such government securities of Nil (2018: Rs 0.07 million) is not exposed to credit risk.

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2019.

### Bank Balances by rating category

Rating	2019		2018	
	Rupees in '000	%	Rupees in '000	%
AAA	802,609	71.70%	980,568	49.48%
AA+	38	0.00%	66	0.00%
AA-	-	0.00%	36,056	1.82%
AA	11,570	1.03%	-	0.00%
A+	75,872	6.78%	150,238	7.58%
A-	229,360	20.49%	814,236	41.09%
A	10	0.00%	691	0.03%
	<b>1,119,459</b>	<b>100.00%</b>	<b>1,981,855</b>	<b>100.00%</b>

Above ratings are on the basis of available ratings assigned by PACRA and VIS Credit Rating Company Limited (Formerly JCR-VIS Credit Rating Company Limited) as of June 30, 2019.

		June 30, 2019	June 30, 2018
	Rating	----- (Rupees in '000) -----	
Investment in fixed income securities			
Musharka certificate	A+	150,000	-
Commercial paper	AA	294,258	-
		444,258	-

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

	Rating	June 30, 2019 ----- (Rupees in '000) -----	June 30, 2018 -----
<b>Investment in variable income securities</b>			
Engro Fertilizers Limited	AA-	-	62,570
Ghani Gases Limited	A	62,647	79,096
Aspin Pharma (Private) Limited	A	164,674	198,642
The HUB Power Company Limited	AA+	200,000	-
International Brands Limited	AA	337,928	345,000
		<b>765,249</b>	<b>685,308</b>

## Security deposits

Deposits are placed with Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction and settlement of listed securities. It is expected that all deposits with CDC will be clearly identified as being assets of the Fund, hence management believes that the Fund is not materially exposed to a credit risk with respect to such deposits.

## Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentration of credit risk.

## Settlement risk

The Fund's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of counter party to honour its obligations to deliver cash, securities or other assets as contractually agreed. Credit risk relating to unsettled transactions in securities is considered to be minimal as the Fund uses brokers with high creditworthiness and the transactions are settled or paid for only upon delivery using central clearing system.

## 20.3 Liquidity risk

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

Units of the Fund are redeemable on demand at the holder's option, however, the Fund does not anticipate significant redemption of units.

The table below analyses the Fund's financial assets and financial liabilities into relevant maturity groupings based on the remaining period at the statement of assets and liabilities date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

	Within 1 month	Over 1 to 3 months	Over 3 to 12 months	Over 1 to 5 years	Total
Rupees in "000"					
<b>2019</b>					
<b>Financial assets</b>					
Balances with banks	1,119,459	-	-	-	1,119,459
Investments	150,000	294,258	-	765,249	1,209,507
Profit receivable	50,070	-	-	-	50,070
	<b>1,319,529</b>	<b>294,258</b>	<b>-</b>	<b>765,249</b>	<b>2,379,036</b>
<b>Financial liabilities</b>					
Payable to the Management Company	2,604	-	-	-	2,604
Payable to the Trustee	225	-	-	-	225
Accrued expenses and other liabilities	554	-	-	-	554
	<b>3,383</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,383</b>
	<b>1,316,146</b>	<b>294,258</b>	<b>-</b>	<b>765,249</b>	<b>2,375,653</b>
<b>2018</b>					
<b>Financial assets</b>					
Balances with banks	1,981,855	-	-	-	1,981,855
Investments	-	-	37,141	685,308	722,449
Profit receivable	13,273	2,352	16,423	-	32,048
	<b>1,996,723</b>	<b>2,352</b>	<b>53,564</b>	<b>685,308</b>	<b>2,737,947</b>
<b>Financial liabilities</b>					
Payable to the Management Company	2,188	-	-	-	2,188
Payable to the Trustee	281	-	-	-	281
Accrued expenses and other liabilities	717	-	-	-	717
	<b>3,186</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,186</b>
	<b>1,993,537</b>	<b>2,352</b>	<b>53,564</b>	<b>685,308</b>	<b>2,734,761</b>

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

## 21. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	22
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	16
Mr. Awais Abdul Sattar	Head of Research	MBA & CFA	8
Mr. Saad Ahmed	Head of Fixed Income	MBA	14
Mr. Syed Muhammad Usama Iqbal	Fund Manager	B.Com, Master in Economics	16

21.1 Mr. Syed Muhammad Usama Iqbal is the fund manager who also manages Pakistan Income Fund.

## 22. TOP BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2019 (Percentage)
1 Next Capital Limited	91.78
2 Pearl Securities Limited	4.38
3 Paramount Capital (Private) Ltd	3.84
	June 30, 2018 (Percentage)
1 Next Capital Ltd	38.42
2 Paramount Capital (Private) Ltd	21.43
3 Bright Capital (Private) Ltd	18.31
4 EFG Hermes Pakistan Ltd	14.61
5 Js Global Capital Limited	6.35
6 Pearl Securities Limited	0.60
7 Summit Capital (Private) Ltd	0.28

## 23. PATTERN OF UNIT HOLDING

	As at June 30, 2019			
	Number of unit holders	Number of units	Investment amount (Rupees in '000')	Percentage investment %
Individuals	2,163	11,525,965	1,166,682	49.96
Associated companies	4	6,201,505	627,729	26.89
Insurance companies	9	1,733,763	175,495	7.52
Retirement funds	34	2,386,898	241,607	10.35
Others	704	1,217,672	123,256	5.28
	<b>2,914</b>	<b>23,065,802</b>	<b>2,334,770</b>	<b>100.00</b>
	As at June 30, 2018			
	Number of unit holders	Number of units	Investment amount (Rupees in '000')	Percentage investment %
Individuals	1,816	9,559,760	1,014,211	37.36
Retirement funds	16	2,438,244	258,678	9.53
Insurance companies	6	2,072,409	219,866	8.10
Mutual funds	2	10,782,174	1,143,900	42.14
Others	259	735,174	77,996	2.87
	<b>2,099</b>	<b>25,587,761</b>	<b>2,714,651</b>	<b>100.00</b>

## 24. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 143<sup>rd</sup>, 144<sup>th</sup>, 145<sup>th</sup>, 146<sup>th</sup>, 147<sup>th</sup>, 148<sup>th</sup>, 149<sup>th</sup> and 150<sup>th</sup> meetings of the Board of Directors were held on August 17, 2018, September 14, 2018, October 22, 2018, October 26, 2018, April 15, 2019, April 19, 2019, June 17, 2019 and June 27, 2019 respectively. Information in respect of attendance by the directors and other persons in the meetings is given below:

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

Name of persons attending the meetings	Designation	Number of Meetings Held	Number of meetings			Meetings Not Attended
			Attendance required	Attended	Leave Granted	
Mian Muhammad Mansha	Chairman	8	8	2	6	143 <sup>rd</sup> , 145 <sup>th</sup> , 146 <sup>th</sup> , 147 <sup>th</sup> , 149 <sup>th</sup> & 150 <sup>th</sup>
Nasim Beg	Director	8	8	8	-	-
Ahmed Jahangir	Director	8	8	8	-	-
Samad A. Habib	Director	8	8	6	2	145 <sup>th</sup> , 150 <sup>th</sup>
Dr. Syed Salman Ali Shah *	Director	8	6	6	-	-
Haroun Rashid	Director	8	8	5	3	143 <sup>rd</sup> , 145 <sup>th</sup> , 149 <sup>th</sup>
Mirza Qamar Beg	Director	8	8	8	-	-
Muhammad Saqib Saleem	Chief Executive Officer	8	8	8	-	-

\* Resigned on June 10, 2019

## 25. UNIT HOLDERS' FUND RISK MANAGEMENT

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

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

## 26. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 13, 2019 by the Board of Directors of the Management Company.

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



**Chief Executive Officer**



**Chief Financial Officer**



**Director**

**PATTERN OF UNITS HOLDING BY SIZE  
FOR THE YEAR ENDED JUNE 30, 2019**

<b>No. of Unit Holders</b>	<b>Unit Holdings</b>	<b>Total Units Held</b>
2551	0-10000	2,419,568
334	10001 – 100000	8,729,907
27	100001 – 1000000	6,436,381
2	1000001 onwards	5,479,946
<hr/> 2914 <hr/>		<hr/> 23,065,802 <hr/>

## PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2019

Performance Information	2019	2018	2017	2016	2015
Total Net Assets Value – Rs. in million	2334.77	1,571	1,981	968.10	1,261.06
Net Assets value per unit – Rupees	101.2221	106.0918	101.08	100.67	100.19
Closing Offer Price	102.9378	107.8901	102.79	102.71	102.24
Closing Repurchase Price	99.5064	106.0918	101.08	100.67	100.19
Highest offer price per unit	111.216	107.8901	108.58	107.36	108.65
Lowest offer price per unit	102.8702	102.6957	102.43	102.24	102.08
Highest Redemption price per unit	109.3623	106.0918	106.77	105.23	106.47
Lowest Redemption price per unit	101.1556	100.9840	100.70	100.22	100.04
Distribution per unit – Rs. *	13.1949		6.10	4.60	6.38
<b>Average Annual Return - %</b>					
One year	8.24	4.96	6.49	5.05	6.55
Two year	6.60	5.73	5.77	5.80	7.46
Three year	6.56	5.50	6.03	6.66	7.94
Net Income for the period – Rs. in million	203.6160	137.15	51.183	36.58	63.75
Distribution made during the year – Rs. in million	296.2620	-	42.949	32.07	61.76
Accumulated Capital Growth – Rs. in million	(92.6460)	137.15	8.23	4.51	1.99
Weighted average Portfolio Duration (Days)	297	361	657	412	243

\* Date of Distribution

2019		2017	
Date	Rate	Date	Rate
4-Jul-18	4.9622	June 19, 2017	6.1
27-Jun-19	8.2327		

2016	
Date	Rate
June 27, 2016	4.6

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

### Disclaimer

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

## MCB-Arif Habib Savings and Investments Limited

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