



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT | 2017

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



ALHAMRA ISLAMIC STOCK FUND
(Formerly: MCB Pakistan Islamic Stock Fund)

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FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.
Board of Directors	Mian Mohammad Mansha Chairman Mr. Nasim Beg Vice Chairman Mr. Muhammad Saqib Saleem Chief Executive Officer Dr. Syed Salman Ali Shah Director Mr. Haroun Rashid Director Mr. Ahmed Jahangir Director Mr. Samad A. Habib Director Mr. Mirza Qamar Beg Director
Audit Committee	Mr. Haroun Rashid Chairman Mr. Ahmed Jahangir Member Mr. Mirza Qamar Beg Member Mr. Nasim Beg Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Chairman Mr. Nasim Beg Member Mr. Haroun Rashid Member Mr. Ahmed Jahangir Member Mr. Muhammad Saqib Saleem Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem
Chief Financial Officer & Company Secretary	Mr. Abdul Basit
Trustee	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited United Bank Limited Bank Al-Habib Limited Standard Chartered Bank Pakistan Limited Summit Bank Limited Habib Bank Limited Dubai Islamic Bank Pakistan Limited Askari Bank Limited Bank Islami Pakistan Limited Al Baraka Bank Pakistan Limited
Auditors	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountant Progressive Plaza, Beaumont Road, P.O. Box 155411 Karachi, Sindh-75530, Pakistan.
Legal Advisor	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi
Transfer Agent	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.
Rating	AM2++ Asset Manager Rating assigned by PACRA

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

Dear Investor,

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

EQUITIES MARKET OVERVIEW

Despite taking significant battering in the last one and a half month of FY17, index managed to post a gain of 23.24%. The index declined by 11.94% from its high of 52,876 points witnessed in May, 2017 by end of June, 2017. Increased concerns regarding JIT proceedings and disappointing net foreign flows post MSCI up gradation led to negative returns. Foreigners remained net sellers, liquidating a massive USD 652 million worth of equities with majority of the selling absorbed by mutual funds (USD 575 million). Average volumes increased by ~64% to 340 million shares and value traded increased by ~58 % to PKR 15 billion.

Among the best performers, Steel sector lead the charts, outperforming the benchmark index by a massive ~198% as strong infrastructural activities under the CPEC regime, along with government's favorable policies in terms of imposition of regulatory and anti-dumping duties on various steel products provided strong investor's interest in the sector. Furthermore, the share prices started incorporating capacity enhancement projects. Phenomenal return of ~98% made the Auto Sector, second best performer in the market. The outperformance came in due to stream of new model launches, impressive sales volumes and announcement of taxi scheme in the budget. Oil and Gas sector witnessed an astounding growth driven by two factors; one of which is a volumetric growth of ~10% in OMCs while the second is announcement of capital projects worth PKR 110 billion by SNGP which are to be completed by 2018.

On the flip side, Fertilizers remained among the weak performers by losing ~11% as rising inventories coupled with discounts on urea prices took a toll on the sector. Furthermore, depressing international fertilizer prices abraded the pricing power of local manufacturers and dampened the potential export margins. Similarly, underperformance of cement sector by ~7% against the benchmark was also witnessed during the period under review, as international coal prices surged by ~30% YoY reaching a peak of \$100 in November, 2016. Furthermore, Cherat Cement's expansion in the North region challenged the dynamics of pricing arrangement, as a result of which cement prices were reduced by 4-5% in the region keeping the stock prices under pressure.

FUND PERFORMANCE

During the period, ALHISF delivered a return of 29.97% as compared to benchmark return of 18.80%. Overall equity exposure of the fund stood at 74.2% at the end of the period as compared to 89.8% at June 30, 2016. The fund changed its investment strategy several times during the quarter to cope with various sector and company level fundamental developments. During the period, the fund realigned its sector exposure by decreasing allocation in Fertilizer, Power Generation & Distribution, Oil and Gas Exploration companies and Cement.

The Net Assets of the Fund as at June 30, 2017 stood at Rs. 2,915 million as compared to Rs. 1,123 million as at June 30, 2016 registering an increase of 159.57%.

The Net Asset Value (NAV) per unit as at June 30, 2017 was Rs. 12.25 as compared to opening NAV of Rs. 10.62 per unit as at June 30, 2016 registering an increase of Rs. 1.63 per unit.

FUTURE OUTLOOK

The windfall gains that emerged in past couple of years had been a byproduct of subdued oil prices, which painted a rosy picture on external account, CPI, discount rate and even fiscal account in terms of less burden in terms of subsidies. Though international commodity outlook still appear bearish but rising current account deficit is posing a challenging scenario going ahead.

The trade imbalance of USD 27 billion in FY17 could deteriorate further with machinery imports under CPEC and several local capital projects are expected to lead the import bill. Exports on the other hand, are expected to remain under pressure given muted response of government towards the rebates under the textile package and government's resilience to support Pakistani rupee through foreign exchange reserves. With widening trade deficit and little help from remittances, we expect next year current account deficit to reach near USD 15 billion (~4% of GDP) still far from what we have seen in our last

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

balance of payment crisis, which dragged CAD to ~USD 14 billion (8% of GDP) back in 2008. However widening CAD coupled with interest repayment may create a financing need of USD 18-19bn in FY18, which points towards strong possibility of PKR depreciation.

The Consumer Price Index (CPI) is expected to remain well anchored in FY18. We expect inflation to average around 4.5% in FY18. Currency devaluation and commodity prices though pose risk to estimates, low CPI reading next year is expected to prevent need for near term significant monetary tightening.

Low interest rate environment coupled with support from CPEC related projects, government's GDP target of 6% does not look too lofty, if external account shock and political destabilization does not derail the growth.

The equity market is set to take its cue from the outcome of Panama issue. With almost 13% fall from its peak, the market appears to have incorporated the risk of change in the PM house, however disintegration of PML(N) in aftermath of court judgment and disqualification of Finance Minister could further dent the short term market sentiments, as it would hint a hung parliament in the next election.

Themes of currency depreciation, interest rate rise and economic growth are expected to set the investment tone in the coming fiscal year. Sectors positively linked with currency weakness are expected to garner lime light namely, Commercial Banks, Exploration & Production and Power sector. Select growth plays in Power, Steel, Construction and Consumer space are also expected to add positive contributions to market performance.

We expect fundamentals to reign in over the political noise in the coming months given our market is trading at PER of 9x (a ~30% discount to the Emerging Markets), creating room for re-rating. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. The KSE-100 Index currently trades at an equity risk premium of ~3% and provides a dividend yield of ~5.5%.

Corporate Governance

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

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

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

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2017

- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. 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.
- k. All the directors have completed the Directors Training Programme course or are exempt from attending training course due to sufficient working experience.
- l. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- m. 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, 2017:

1. Meeting of the Audit Committee.

During the year, six (6) meetings of the Audit Committee were held. The attendance of each participant is as follows:

S No.	Name of Persons	Number of meetings held	Number of meetings		
			Attendance required	Attended	Leave granted
1	Mr. Haroun Rashid	6	6	3	3
2	Mr. Samad A. Habib	6	4	3	1
3	Mr. Ahmed Jahangir	6	6	6	-
4	Mr. Nasim Beg	6	6	6	-
5	Mirza Qamar Beg	6	2	2	-

2. Meeting of the Human Resource and Remuneration Committee.

During the year, four (4) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

S No.	Name of Persons	Number of meetings	Number of meetings		
			Attendance required	Attended	Leave granted
1	Dr. Syed Salman Shah	4	4	4	-
2	Mr. Nasim Beg	4	4	4	-
3	Mr. Ahmed Jahangir	4	4	4	-
4	Mr. Haroun Rashid	4	4	3	1
5	Mr. Muhammad Saqib Saleem	4	4	4	-

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2017**

- n. 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	-	-	-
2	Muhammad Asif Mehdi Rizvi	Chief Operating Officer	499,238	511,458	-
3	Abdul Basit	Chief Financial Officer and Company Secretary	-	-	-
4	Fahad Sultan	Chief Internal Auditor	-	-	-

External Auditors

The fund's external auditors, **EY Ford Rhodes Chartered Accountants**, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2018. The audit committee of the Board has recommended reappointment of **EY Ford Rhodes Chartered Accountants** as auditors of the fund for the year ending June 30, 2018.

ACKNOWLEDGMENT

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

On behalf of Directors,



Muhammad Saqib Saleem
Chief Executive Officer
Karachi
August 4, 2017



Nasim Beg
Director / Vice Chairman

ڈائریکٹرز رپورٹ

ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی چار (04) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

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

n. دوران سال مینجمنٹ کمپنی کے ڈائریکٹرز، چیف ایگزیکٹو آفیسر، چیف آپریٹنگ آفیسر، چیف فنانشل آفیسر، کمپنی سیکرٹری اور چیف انٹرنل آڈیٹر اور ان کے شوہر/کی بیوی اور نابالغ بچوں نے فنڈ کے یونٹس کی خرید و فروخت کی۔

نمبر شمار	نام	عہدہ	سرمایہ کاری	رڈیپیشن	ڈیویڈنڈ کی تقسیم
1.	محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	-	-	-
2.	محمد آصف مہدی رضوی	چیف آپریٹنگ آفیسر	499,238	511,458	-
3.	عبدالباسط	چیف فنانشل آفیسر اور کمپنی سیکرٹری	-	-	-
4.	فہد سلطان	چیف انٹرنل آڈیٹر	-	-	-

خارجی آڈیٹرز

فنڈ کے خارجی آڈیٹرز 'ارنسٹ اینڈ یوگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس' نے 30 جون 2018ء کو ختم ہونے والے اگلے سال کے لئے فنڈ کے آڈیٹرز کے طور پر کام جاری رکھنے کے لئے رضامندی ظاہر کی ہے۔ بورڈ کی آڈٹ کمیٹی نے 30 جون 2018ء کو ختم ہونے والے سال کے لئے 'ارنسٹ اینڈ یوگ فورڈ رھوڈز چارٹرڈ اکاؤنٹنٹس' کی فنڈ کے آڈیٹرز کے طور پر دوبارہ تقرری کی سفارش کی ہے۔

اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گران قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکرگزار 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
04 اگست 2017ء

ڈائریکٹرز رپورٹ

کارپوریٹ گورننس

فنڈ کارپوریٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے کوشاں ہے۔ بورڈ میں تین (3) خود مختار ڈائریکٹرز ہیں، اور مینجمنٹ کمپنی کی گورننگ باڈی کے طور پر بورڈ عمدہ کارپوریٹ گورننس کے لئے یونٹ ہولڈرز کو جوابہ ہے۔ انتظامیہ کارپوریٹ گورننس کے ضابطہء اخلاق میں متعین کردہ بہترین طریقوں سے متعلق شقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے شق، کی بدستور تعمیل کر رہی ہے۔ فنڈ پاکستان اسٹاک ایکسچینج کے لسٹنگ ضوابط کے مطابق کاروبار چلانے پر بدستور کاربند ہے جس میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کو با تفصیل واضح کیا گیا ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی نکات واضح کیے 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 بگس آف اکاؤنٹس تیار کی گئی ہیں۔

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

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات، جس حد تک ان کا پاکستان میں اطلاق ہوتا ہے، Non- بینکنگ فنانس کمپنیز (اسٹابلشمنٹ اور ریگولیشنز) کے ضوابط، 2003ء، Non- بینکنگ فنانس اینڈ نوٹیفائیڈ انسٹیٹیوٹس ریگولیشنز، 2008ء، متعلقہ ٹرسٹ Deeds کی شرائط اور سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی جاری کردہ ہدایات کی تعمیل کی گئی ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور نافذ ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شہادت نہیں ہے۔

g. لسٹنگ قوانین میں تفصیلاً بیان کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں کیا گیا ہے۔

h. کارپوریٹ گورننس کے ضابطہء اخلاق کے مطابق مطلوبہ کلیدی مالیاتی اعداد و شمار کا خلاصہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

i. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز (اگر کوئی ہیں تو) ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیے گئے ہیں۔

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

k. تمام ڈائریکٹرز ڈائریکٹرز ٹریننگ پروگرام، کورس مکمل کر چکے ہیں یا خاطر خواہ تجربے کی بنیاد پر اس سے مستثنیٰ ہیں۔

l. این بی ایف سی کے قواعد و ضوابط اور کارپوریٹ گورننس کے ضابطہء اخلاق کے تحت مطلوب یونٹ ہولڈنگ کا تفصیلی خاکہ مالیاتی گوشواروں کے ساتھ ملحق ہے۔

m. بورڈ آف ڈائریکٹرز کی مینٹنگ میں حاضری کی تفصیلات مالیاتی گوشواروں میں ظاہر کی گئی ہیں۔ 30 جون 2017ء کو ختم ہونے والے سال کے دوران ہونے والی کمیٹی مینٹنگز کی تفصیلات درج ذیل ہیں:

آڈٹ کمیٹی کی مینٹنگ

دوران سال آڈٹ کمیٹی کی چھ (06) مینٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

مینٹنگز کی تعداد			منعقدہ مینٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
3	3	6	6	1. جناب ہارون رشید
1	3	4	6	2. جناب صدائے حبیب
-	6	6	6	3. جناب احمد جہانگیر
-	6	6	6	4. جناب نسیم بیگ
-	2	2	6	5. مرزا قمر بیگ

گزشتہ چند برسوں میں حاصل ہونے والے خطیر منافع جات تیل کی قیمتوں میں کمی کے ثمرات ہیں جس کی بدولت خارجی اکاؤنٹ، CPI، ڈسکاؤنٹ کی شرح اور ٹیٹی کہ مالیاتی اکاؤنٹ کی بھی صورتحال سبسڈیز کے بوجھ میں کمی کے اعتبار سے بہتر ہوئی۔ بین الاقوامی اشیاء کا مستقبل ابھی تک ناہموار نظر آتا ہے اور کرنٹ اکاؤنٹ کے بڑھتے ہوئے خسارے کے باعث مستقبل کی راہیں مشکلات سے پُر نظر آرہی ہیں۔

مالی سال 2017ء میں 27 بلین ڈالر کا تجارتی خسارہ CPEC کے تحت مشینری کی درآمدات کے باعث مزید بڑھ سکتا ہے اور متعدد مقامی کیپیٹل منصوبے درآمدات کے بل پر غالب ہوں گے۔ دوسری جانب ٹیکسٹائل پیکیج کے تحت ری بیٹس کے حوالے سے حکومت کی خاموشی اور زیر مبادلہ کے ذخائر کے ذریعے پاکستانی روپے کی معاونت کرنے کے لئے حکومتی پلک کے باعث برآمدات متوقع طور پر دباؤ میں رہیں گی۔ بڑھتے ہوئے تجارتی خسارے اور ترسیلات زر کی کمزور صورتحال کی بنیاد پر ہم اگلے سال کرنٹ اکاؤنٹ کے خسارے کو 15 بلین ڈالر (مجموعی ملکی پیداوار کا 4 فیصد) تک پہنچتا دیکھ رہے ہیں، جو 2008ء میں ادائیگیوں کے توازن کے بحران میں پیدا ہونے والے حالات سے اب بھی بہت دور ہے، جب کرنٹ اکاؤنٹ کا خسارہ 14 بلین ڈالر (مجموعی ملکی پیداوار کا 8 فیصد) تک پہنچ گیا تھا۔ تاہم بڑھتے ہوئے کرنٹ اکاؤنٹ کے خسارے کے ساتھ ساتھ انٹریسٹ کی ادائیگی کے باعث مالی سال 2018ء میں 18-19 بلین ڈالر کی مالیت کی فراہمی کی ضرورت پیدا ہو سکتی ہے، جس کے باعث پاکستانی روپے کی قدر میں کمی کا واضح امکان ہے۔

کنزیومر پرائس انڈیکس (CPI) مالی سال 2018ء میں مناسب حد تک قابو میں رہے گا۔ ہمارے اندازے کے مطابق مالی سال 2018ء میں افراط زر کا اوسط 4.5 فیصد ہوگا۔ اگرچہ روپے کی قدر میں کمی اور اشیاء کی قیمتوں کے باعث تخمینوں کو خطرات لاحق ہیں، لیکن توقع ہے کہ اگلے سال CPI کی پست سطح کے سبب مدت قریب میں مالیاتی تنگی کی ضرورت نہیں پڑے گی۔

انٹریسٹ کی پست شرح کے ماحول کے ساتھ ساتھ CPEC سے منسلک منصوبوں کی بنیاد پر حکومت کا مجموعی ملکی پیداوار کا 6 فیصد ہدف زیادہ بلند نہیں معلوم ہوتا، اگر خارجی اکاؤنٹ کا جھکا اور سیاسی عدم استحکام ترقی کی گاڑی کو پٹری سے اتار نہ دے۔

ایکویٹی مارکیٹ پانا مسئلے کے نتیجے کی بنیاد پر اپنا اگلا قدم طے کرنے کے لئے تیار ہے۔ مارکیٹ اپنے عروج سے تقریباً 13 فیصد زوال کے بعد بظاہر وزیر اعظم ہاؤس میں تبدیلی کے خطرے کے حوالے سے احتیاطی تدابیر اختیار کر چکی ہے، تاہم عدالتی فیصلے کے نتیجے میں پاکستان مسلم لیگ (این) کا شیرازہ بکھرنے اور وزیر خزانہ کی نااہلیت سے مختصر المیعاد مارکیٹ کے حالات مزید بگڑ سکتے ہیں کیونکہ یہ اگلے انتخابات میں معلق پارلیمنٹ کے امکانات کا اشارہ ہوگا۔

روپے کی قدر میں کمی، انٹریسٹ کی شرح میں اضافہ اور معاشی ترقی آئندہ مالی سال میں سرمایہ کاری کا رجحان طے کرنے والے عوامل ہوں گے۔ روپے کے ضعف سے مثبت طور پر منسلک شعبے مثلاً کمرشل بینک، ایکسیلو ریشن اینڈ پروڈکشن اور بجلی متوقع طور پر شہ سرخیوں میں آجائیں گے۔ علاوہ ازیں، بجلی، اسٹیل، تعمیرات اور صارفی شعبوں میں ترقیاتی عمل متوقع طور پر مارکیٹ کی کارکردگی میں مثبت کردار ادا کرے گا۔

ہم امید کرتے ہیں کہ آنے والے مہینوں میں اصول سیاسی شور پر غالب ہوں گے، کیونکہ ہماری مارکیٹ 9x کے PER پر تجارت کر رہی ہے (جو ابھرتی

ڈائریکٹرز رپورٹ

عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی طرف سے الحمد للہ اسلامک اسٹاک فنڈ (سابقہ: ایم سی بی پاکستان اسلامک اسٹاک فنڈ) کے 30 جون 2017ء کو اختتام پذیر ہونے والے سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

ایکویٹیز مارکیٹ کا جائزہ

مالی سال 2017ء کے آخری ڈیڑھ ماہ میں قابل ذکر کمی کے باوجود انڈیکس 23.24 فیصد ترقی کرنے میں کامیاب ہوا۔ انڈیکس مئی 2017ء میں اپنے عروج کی سطح 52,876 پوائنٹس سے جون 2017ء کے اختتام پر 11.94 فیصد کم ہو گیا۔ جے آئی ٹی کے معاملات کے حوالے سے بڑھتی ہوئی تشویش اور MSCI اپ گریڈیشن کے بعد net غیر ملکی آمدات کی مایوس کن صورتحال کے نتیجے میں منافع کی سطح گر گئی۔ Net فروخت کار بدستور غیر ملکی افراد رہے جنہوں نے 652 ملین ڈالر کی خطیر مالیت کی ایکویٹیز کو نقد میں تبدیل کیا اور فروخت کا اکثر حصہ میوچل فنڈز نے جذب کیا (575 ملین ڈالر)۔ اوسط حجم 64 فیصد زیادہ ہو کر 340 ملین حصص ہو گئے اور تجارت کردہ قدر 58 فیصد بڑھ کر 15 بلین روپے ہو گئی۔

بہترین کارکردگی کا مظاہرہ کرنے والوں میں اسٹیل کا شعبہ مقررہ معیار سے 198 فیصد زیادہ ترقی کر کے سب سے آگے رہا کیونکہ CPEC پروگرام کے تحت انفراسٹرکچر کے ضمن میں متحرک سرگرمیوں اور اسٹیل کی متعدد مصنوعات پر ریگولیٹری اور فضلات کے انتظام کی محصولات عائد کرنے کے حوالے سے حکومت کی موافق پالیسیوں کی بدولت اس شعبے میں سرمایہ کاروں کی بھرپور دلچسپی پیدا ہوئی۔ علاوہ ازیں، حصص کی قیمتوں میں استعداد میں اضافے کے منصوبوں کی عکاسی ہونے لگی۔ آٹو سیکٹر 98 فیصد ترقی کر کے مارکیٹ میں دوسرے نمبر پر بہترین کارکردگی کا حامل شعبہ رہا۔ اس شاندار کامیابی کے اسباب نئے ماڈل، فروخت کے بڑے حجم اور بجٹ میں ٹیکسی اسکیم کا اعلان ہیں۔ تیل اور گیس کے شعبے میں دو عوامل کیے باعث زبردست ترقی ہوئی: OMCs کے حجم میں 10 فیصد اضافہ اور SNGP کی جانب سے 110 بلین روپے مالیت کے کیپٹل منصوبوں کا اعلان، جو 2018ء میں مکمل ہوں گے۔

اس کے برعکس کھاد کے شعبے نے 11 فیصد کم ترقی کر کے کمزور کارکردگی کا مظاہرہ کیا کیونکہ انویسٹرز میں اضافے اور یوریا کی قیمتوں میں ڈسکاؤنٹس نے اس شعبے پر منفی اثرات مرتب کئے۔ علاوہ ازیں، کھاد کی بین الاقوامی قیمتوں میں کمی کے باعث مقامی مینوفیکچررز کی قیمت متعین کرنے کی طاقت اور متوقع برآمداتی آمدنی متاثر ہوئی۔ سیمنٹ کے شعبے نے بھی زیر جائزہ مدت کے دوران مقررہ معیار سے 7 فیصد کم ترقی کی کیونکہ کولے کی بین الاقوامی قیمتیں 30 فیصد YoY اضافے کا شکار ہو کر نومبر 2016ء میں 100 ڈالر کی بلند ترین سطح تک پہنچ گئیں۔ علاوہ ازیں، چرائٹ سیمنٹ کی شمالی نھلے میں توسیع کے باعث قیمتوں کے تعین کے نظام کے لئے مشکلات پیدا ہوئیں جس کے نتیجے میں نھلے میں سیمنٹ کی قیمتیں 4 سے 5 فیصد کم ہو گئیں اور اسٹاک کی قیمتیں دباؤ میں آ گئیں۔

فنڈ کی کارکردگی

دوران مدت ALHISF کا منافع 29.97 فیصد تھا جبکہ مقررہ معیار 18.80 فیصد تھا۔ اختتام مدت پر فنڈ کی ایکویٹی میں مجموعی سرمایہ کاری

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2017

Fund Type and Category

Alhamra Islamic Stock Fund [Formerly MCB Pakistan Islamic Stock Fund] is an Open-End Shariah Compliant Equity Scheme.

Fund Benchmark

The benchmark for ALHISF is KMI-30 Index.

Investment Objective

The objective of the Fund is to provide investors long term capital appreciation from its investment in Shariah Compliant Equity Securities.

Investment Strategy

Alhamra Islamic Stock Fund is an Open-ended Shariah Compliant Equity Scheme which primarily invests in Shariah Compliant Equity Securities. The Fund shall be subject to such exposure limits as specified in the Rules, the Regulations and directives issued by SECP from time to time.

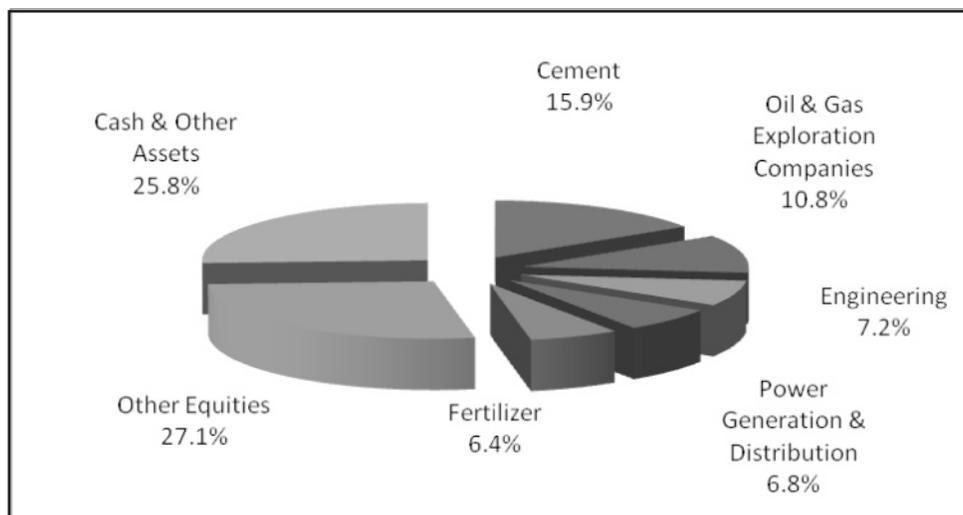
Manager's Review

During the year under review, Alhamra Islamic Stock Fund [Formerly MCB Pakistan Islamic Stock Fund] returned 29.98% as compared to the benchmark return of 18.8%, resulting in an out performance of 11.18% by the fund. The fund was 74.2% invested in Equities and 25% in Cash.

On sector basis, exposure was decreased in almost across all the sectors as the overall equity exposure was reduced significantly.

Since inception, return of the fund was 34.38% as compared to the benchmark's return of 35.14%. The fund's Net Assets increased by 160% from PKR 1123 Million at the beginning of the year to PKR 2915 Million as of June 30, 2017.

Asset Allocation as on June 30, 2017 (% of total assets)



Awais Abdul Sattar, CFA
Fund Manager

Karachi: August 04, 2017

TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017

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



TRUSTEE REPORT TO THE UNIT HOLDERS

ALHAMRA ISLAMIC STOCK FUND (FORMERLY MCB PAKISTAN ISLAMIC STOCK 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 Stock 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, 2017 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.


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

Karachi: September 08, 2017



REPORT OF THE SHARIAH ADVISORY BOARD FOR THE YEAR ENDED JUNE 30, 2017

REPORT OF THE SHARIAH ADVISORY BOARD

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

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

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

- We have reviewed and approved the modes of investment of ALHISF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of ALHISF 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 ALHISF for the period from July 01, 2016 to June 30, 2017 have been in compliance with Shariah principles.

During the year an amount of Rupees 1,017,990.26 was transferred to charity account. The total amount of charity payable as at 30 June 2017 amounts to Rs. 1,017,990.26.

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: August 04, 2017



Dr Muhammad Zubair Usmani

For and on behalf of Shariah Advisory Board

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

This statement is being presented by the Board of Directors of MCB Arif Habib Savings and Investments Limited, the Management Company of Alhamra Islamic Stock Fund (Formerly: MCB Pakistan Islamic Stock Fund) to comply with the Code of Corporate Governance (the code) contained in regulation # 5.19 of chapter 5 of the Rule Book of the Pakistan Stock Exchange Limited for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The company has applied the principles contained in the Code in the following manner:

- The Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	1. Dr. Syed Salman Ali Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Qamar Beg
Executive Directors	1. Mr. Muhammad Saqib Saleem–Chief Executive Officer
Non – Executive Directors	1. Mian Mohammad Mansha-Chairman 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib 4. Mr. Nasim Beg – Vice Chairman

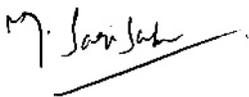
The independent directors meet the criteria of independence under clause 5.19.1 (b) of the Code.

- The directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
- All the resident directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a broker of a stock exchange, has been declared as a defaulter by that stock exchange.
- During the period no casual vacancy occurred on the board of the Company.
- The Company has prepared a ‘Code of Conduct’ and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
- The Board has developed vision / mission statement, overall corporate strategy and significant policies of the company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
- All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the CEO, other executive and non-executive directors, have been taken by the Board.
- Out of the total eight meetings only one meeting of the Board was presided over by the chairman which was held on August 5, 2016. Five meetings were presided over by Mr. Nasim Beg and two meetings were presided by Dr. Syed Salman Ali Shah duly elected by the board for the purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
- During the year, one director Mr. Mirza Qamar Beg was included on the Board of Directors and is complied with the Director’s Training Programme. All remaining directors on the board already possess the required training or are exempt on the basis of specified qualification and experience as required by the Code.
- Company Secretary and Head of Internal Audit continued their services and there was no change in these positions during the year. The Chief Financial Officer was appointed during the year on February 02, 2017 and the board has approved the remuneration and terms and conditions of the employment of the CFO.

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2017

11. The Directors' Report for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Company were duly endorsed by CEO and CFO before approval of the Board.
13. The Directors, CEO and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.
14. The Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee. It comprises of four members, all of whom are non-executive directors including the chairman of the committee who is an independent director.
16. The meetings of the Audit Committee were held at least once every quarter prior to approval of interim and final results of the Company as required by the Code. The terms of reference of the Committee have been formed and advised to the Committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises of five members, of whom four are non-executive directors and one is executive Director and the chairman of the committee is also a non-executive director.
18. The Board has set up an effective internal audit function, the members of which are suitably qualified and experienced for the purpose and are conversant with the policies and procedures of the Company.
19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities, was determined and intimated to directors, employees and stock exchange.
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange.
23. The Board has formulated a mechanism for an annual evaluation of its own performance. The evaluation has been done in the board meeting held on August 04, 2017.
24. The company has complied with the requirements relating to maintenance of register of persons having access to inside information by designated senior management officer in a timely manner and maintained proper record including basis for inclusion or exclusion of names of persons from the said list.
25. We confirm that all other material principles enshrined in the Code have been complied with.

On behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: August 04, 2017



Nasim Beg
Director / Vice Chairman

REVIEW REPORT TO UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE



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REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance with the best practices (the Statement) contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors (the Board) of MCB-Arif Habib Savings and Investments Limited, the Management Company of Alhamra Islamic Stock Fund (formerly: MCB Pakistan Islamic Stock Fund) (the Fund), for the year ended 30 June 2017 to comply with the requirements of Regulation No. 5.19.24 of Rule Book of Pakistan Stock Exchange Limited where the Fund is listed.

The responsibility for compliance with the Code is that of the Board of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement reflects the status of the Management Company's compliance with the provisions of the Code in respect of the Fund and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Management Company's corporate governance procedures and risks.

The Code requires the Management Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval the Fund's related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board upon recommendation of the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement does not appropriately reflect the Management Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Fund for the year ended 30 June 2017.

Chartered Accountants

Karachi

Date: 04 August 2017

INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2017



EY Ford Rhodes
Chartered Accountants
Progressive Plaza, Beaumont Road
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Pakistan

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INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of **Alhamra Islamic Stock Fund (formerly: MCB Pakistan Islamic Stock Fund)** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2017**, and the related statements of income, comprehensive income, distribution, cash flows and movement in unit holders' fund for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2017**



Building a better
working world

-: 2 :-

Opinion

In our opinion the financial statements give a true and fair view of the state of the Fund's affairs as at **30 June 2017** and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants

Audit Engagement Partner: Shabbir Yunus

Date: 04 August 2017

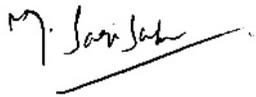
Karachi

**STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
ASSETS			
Balances with banks	6	777,425	82,162
Investments	7	2,292,898	1,062,765
Receivable against sale of investments		9,034	32,167
Profit and other receivables	8	8,435	2,762
Advances and deposits	9	3,226	3,226
Total assets		3,091,018	1,183,082
LIABILITIES			
Payable to the Management Company	10	8,652	2,365
Payable to the trustee	11	347	198
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)	12	1,795	775
Unclaimed dividend		12,400	12,400
Payable against purchase of equity securities		78,640	18,829
Payable against redemption of units		52,000	-
Accrued and other liabilities	13	22,227	25,564
Total liabilities		176,061	60,131
NET ASSETS		2,914,957	1,122,951
Unit holders' fund (as per statement attached)		2,914,957	1,122,951
Contingencies and commitments	14		
		----- (Number of units) -----	
NUMBER OF UNITS IN ISSUE		237,916,714	105,747,811
		----- (Rupees) -----	
NET ASSETS VALUE PER UNIT		12.25	10.62

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

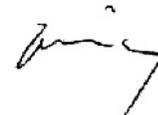
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

**INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
INCOME			
Profit on bank deposits		12,851	8,201
At fair value through profit or loss' - held-for-trading			
- Dividend income from equity securities		23,933	3,296
- Net gain on sale of investments		88,393	6,252
- Net unrealised (diminution) / appreciation in the value of investments	7.3	(41,361)	245
		<u>70,965</u>	<u>9,793</u>
Available-for-sale investments			
- Dividend income from equity securities		39,794	29,481
- Net gain / (loss) on sale of investments		231,874	(12,407)
		<u>271,668</u>	<u>17,074</u>
Total income		<u>355,484</u>	<u>35,068</u>
Impairment on investment in equity securities		-	(11,074)
EXPENSES			
Remuneration of the Management Company		37,785	16,321
Sales tax and federal excise duty on remuneration of Management Company	15	4,912	5,263
Expenses allocated by Management Company and related taxes	5	2,135	580
Remuneration of the Trustee		2,894	1,624
Sales tax on trustee fee		376	228
Annual fee to SECP		1,795	775
Securities transaction cost		10,917	1,744
Custody, settlement and bank charges		1,104	603
Fees and subscription		47	373
Shariah advisory fee expense		900	542
Printing and related cost		155	170
Donation		1,018	381
Auditors' remuneration	16	608	544
Marketing and selling expense	10.2	2,961	-
Legal and professional charges		102	-
Reversal of Provision for Workers' Welfare Fund	13.1	(5,806)	-
Total expenses		<u>61,903</u>	<u>29,148</u>
Net income / (loss) from operating activities		<u>293,581</u>	<u>(5,154)</u>
Element of income / (loss) and capital gains / (losses) included in the prices of units sold less those in units redeemed			
- from realised / unrealised capital gain / (loss)		614,516	(21,353)
- from other (loss) / income		(435,503)	12,511
		<u>179,013</u>	<u>(8,842)</u>
Net income / (loss) for the year before taxation		<u>472,594</u>	<u>(13,996)</u>
Taxation	17	-	-
Net income / (loss) for the year after taxation		<u>472,594</u>	<u>(13,996)</u>

The annexed notes from 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



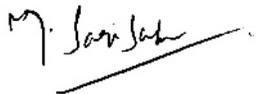
Director

**STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016 -----
Net income / (loss) for the year after taxation	472,594	(13,996)
Other comprehensive income:		
To be reclassified to income statement in subsequent periods		
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	32,695	53,841
Other comprehensive income for the year	<u>32,695</u>	<u>53,841</u>
Total comprehensive income for the year	<u><u>505,289</u></u>	<u><u>39,845</u></u>

The annexed notes from 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



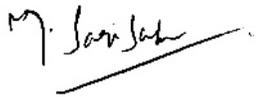
Director

**DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Undistributed income brought forward comprises of:		
- Realised income	4,088	19,450
- Unrealised income / (loss)	245	(9,165)
Undistributed income brought forward - net	4,333	10,285
Final distribution:		
- Cash distribution: for the year ended June 30, 2017 declared on June 22, 2017 of Re.1.50 per unit	(193,135)	-
-Final cash distribution for the year ended June 30, 2016 distributed at Rs.0.05 per unit (Declared on June 27, 2016)	-	(5,164)
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	158,163	13,208
Net income / (loss) for the year	472,594	(13,996)
	437,622	(5,952)
Undistributed income carried forward	441,955	4,333
Undistributed income carried forward comprises of:		
- Realised income	483,316	4,088
- Unrealised (loss) / income	(41,361)	245
	441,955	4,333

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

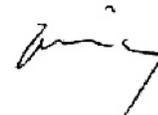
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



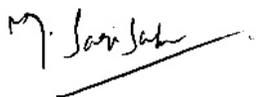
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDER'S FUND
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Net assets at beginning of the year	1,122,951	665,892
Issue 333,204,107 (2016: 61,020,740) units	4,346,531	612,457
Redemption of 201,035,204 (2016: 20,103,710) units	(2,687,665)	(198,921)
	1,658,866	413,536
	2,781,817	1,079,428
Element of income and capital gains included in prices of units sold less those in units redeemed:		
- amount representing (income) / loss and capital (gains) / loss - transferred to Income Statement		
- from realised / unrealised capital (gain) / loss	(614,516)	21,353
- from other loss / (income)	435,503	(12,511)
- amount representing unrealised income and capital gains that forms part of the unit holders' fund transferred to Distribution Statement	(158,163)	(13,208)
	(337,177)	(4,366)
Net income / (loss) for the year transferred from the distribution statement		
Net gain / (loss) on sale of investments	231,874	(12,407)
Net unrealised (diminution) / appreciation on re-measurement of investments classified 'at fair value through profit or loss - held-for-trading'	(41,361)	245
Other income / (loss) for the year	282,081	(1,834)
Element of income and capital gains included in the prices of units sold less those in units redeemed - amount representing unrealised income	158,163	13,208
Distributions made during the year (refer to distribution statement)	(193,135)	(5,164)
	437,622	(5,952)
Net unrealised appreciation on re-measurement of investment - classified as 'available-for-sale'	32,695	53,841
Net assets at end of the year	2,914,957	1,122,951
	----- (Number of units) ----	
NUMBER OF UNITS IN ISSUE	237,916,714	105,747,811
	----- (Rupees) -----	
NET ASSETS VALUE PER UNIT	12.25	10.62

The annexed notes from 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



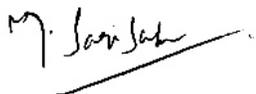
Director

**CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income / (loss) for the year before taxation	472,594	(13,996)
Adjustments for :		
Element of (income) / loss and capital (gains) / losses included in the prices of units sold less those in units redeemed		
- from realised / unrealised capital (gain) / loss	(614,516)	21,353
- from other loss / (income)	435,503	(12,511)
Net unrealised diminution / (appreciation) in the fair value of investments classified 'at fair value through profit or loss - held-for-trading'	41,361	(245)
Dividend income	(63,727)	(32,777)
	271,214	(38,176)
Increase in assets		
Investments	(1,238,800)	(758,404)
Receivable against sale of investments	23,134	(2,462)
Profit and other receivable	(2,149)	37
Advances and deposits	-	(142)
	(1,217,815)	(760,971)
Increase in liabilities		
Payable to the Management Company	6,287	1,465
Payable to the trustee	149	134
Annual fee payable to SECP	1,020	423
Payable against purchase of equity securities	59,811	7,630
Payable against redemption of units	52,000	-
Accrued and other liabilities	(3,337)	(1,154)
	115,930	8,498
	(830,671)	(790,649)
Dividend received	60,203	31,187
Net cash used in operating activities	(770,468)	(759,462)
CASH FLOW FROM FINANCING ACTIVITIES		
Net receipt against issue of units	4,346,531	612,457
Net payment on redemption of units	(2,687,665)	(198,921)
Dividend paid	(193,135)	(5,164)
Net cash generated from financing activities	1,465,731	408,372
Net increase / (decrease) in cash and cash equivalents during the year	695,263	(351,090)
Cash and cash equivalent at beginning of the year	82,162	433,252
Cash and cash equivalent at end of the year	777,425	82,162

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

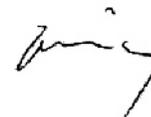
For MCB-Arif Habib Savings and Investments Limited
(Management Company)



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

1. LEGAL STATUS AND NATURE OF BUSINESS

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

2. STATEMENT OF COMPLIANCE

- 2.1 These financial statements have been prepared in accordance with the requirements of approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of Trust Deed, the NBFC rules, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP shall prevail.

2.2 New Standards, Interpretations and Amendments

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

IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements – Investment Entities: Applying the Consolidation Exception (Amendment)

IFRS 11 Joint Arrangements - Accounting for Acquisition of Interest in Joint Operation (Amendment)

IAS 1 – Presentation of Financial Statements - Disclosure Initiative (Amendment)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

IAS 16 Property, Plant and Equipment and IAS 38 intangible assets - Clarification of Acceptable Method of Depreciation and Amortization (Amendment)

IAS 16 Property, Plant and Equipment IAS 41 Agriculture - Agriculture: Bearer Plants (Amendment)

IAS 27 – Separate Financial Statements – Equity Method in Separate Financial Statements (Amendment)

Improvements to Accounting Standards Issued by the IASB in September 2014

IFRS 5 Non-current Assets Held for Sale and Discontinued Operations - Changes in methods of disposal

IFRS 7 Financial Instruments: Disclosures - Servicing contracts

IFRS 7 Financial Instruments: Disclosures - Applicability of the offsetting disclosures to condensed interim financial statements

IAS 19 Employee Benefits - Discount rate: regional market issue

IAS 34 Interim Financial Reporting - Disclosure of information 'elsewhere in the interim financial report'

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

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

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

Standard or Interpretation	Effective date (annual periods beginning on or after)
IFRS 2 – Share-based Payments – Classification and Measurement of Share-based Payments Transactions (Amendments)	January 01, 2018
IFRS 10 Consolidated Financial Statements and IAS 28 Investment in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendment)	Not yet finalized
IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)	January 01, 2017
IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)	January 01, 2017
IFRS 4 Insurance Contracts: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts – (Amendments)	January 01, 2018
IAS 40 Investment Property: Transfers of Investment Property (Amendments)	January 01, 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	January 01, 2018
IFRIC 23 Uncertainty over Income Tax Treatments	January 01, 2019

The above standards and amendments are not expected to have any material impact on the Fund's financial statements in the period of initial application.

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

Standards	IASB Effective date (annual periods beginning on or after)
IFRS 9 – Financial Instruments: Classification and Measurement	January 01, 2018
IFRS 14 – Regulatory Deferral Accounts	January 01, 2016
IFRS 15 – Revenue from Contracts with Customers	January 01, 2018
IFRS 16 – Leases	January 01, 2019
IFRS 17 - Insurance Contracts	January 01, 2021

3. BASIS OF PREPARATION

3.1 Accounting convention

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

3.2 Critical accounting estimates and judgments

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

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

3.3 Functional and presentation currency

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

4.1 Financial assets

The fund classifies its financial assets in following categories:

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

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

a) Financial assets at fair value through profit or loss

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

b) Available-for-sale

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

c) Loans and receivables

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

4.2 Regular way contracts

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

4.3 Initial recognition and measurement

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

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

b) Available-for-sale and loans and receivables

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

4.4 Subsequent measurement

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

a) Equity Securities

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

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

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

b) Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

c) Loans and receivables

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

4.5 Impairment

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

4.6 Derecognition

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

4.7 Reclassification

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

4.8 Financial liabilities

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

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

4.9 Offsetting of financial assets and liabilities

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

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

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

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

An equalization account called the 'element of income / (loss) and capital gains / (losses) included in prices of units sold less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units sold and redeemed during an accounting period which pertains to Unrealised gains / (losses) held in the Unit Holder's Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized in the Income Statement.

4.12 Proposed distributions

Distributions declared subsequent to the balance sheet date are considered as non-adjusting events and are recognized in the financial statements in the period in which such distributions are declared.

4.13 Provisions

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

4.14 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.

4.15 Taxation

The Fund's income is exempt from Income Tax as per Clause 99 of Part I of the Second Schedule of the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

4.16 Revenue recognition

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

4.17 Expenses

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

4.18 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

4.19 Other assets

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

4.20 Foreign currency translation

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

4.21 Net asset value per unit

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

5. REIMBURSEMENT OF EXPENSES TO THE MANAGEMENT COMPANY

SECP has introduced "expense ratio" vide amendments in the NBFC Regulations dated November 25, 2015, whereby, the total expense ratio of a equity scheme shall be capped at 4% of average daily net assets value of the scheme. The regulation further states that for the purpose of expense ratio, expenses incurred in relation to any government levy on funds such as sales tax, federal excise duty, SECP fee, etc. shall be excluded while calculating expense ratio. Furthermore, under the NBFC Regulation 60(3)(s), the Management Company is allowed to charge their cost to Collective Investment Schemes (CIS) in respect of fees and expenses related to registrar services, accounting, operations and valuation services related to that CIS, the maximum cost that can be charged in this regard is up to 0.1% of the average annual net assets of that CIS or actual, whichever is less. Accordingly, this represents the amount payable to the Management Company to maintain the expense ratio of the Fund within the prescribed limits. The total expense ratio of the Fund is 4.09% which includes 0.96% representing government levies and SECP fee.

	Note	June 30, 2017	June 30, 2016
		----- (Rupees in '000) -----	
6. BALANCES WITH BANKS			
In current accounts		15,110	42,242
In deposit accounts	6.1	762,315	39,920
		777,425	82,162

6.1 These carry mark-up at rates ranging between 5.25% to 6.10% per annum (2016: 5.5% to 6%) per annum and include Rs.1.52 million (2016: Rs.Nil) with MCB Bank Limited.

7. INVESTMENTS

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

Listed equity securities	7.1	1,955,738	7,309
		1,955,738	7,309

Available-for-sale

Listed equity securities	7.2	337,160	1,055,456
		2,292,898	1,062,765

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

Name of the Investee Company	Number of shares						Balance as at June 30, 2017				Market value as percentage of total investments	Par value as percentage of issued share capital	
	As at July 01, 2016	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2017	Cost	Market Value	Appreciation / (Diminution)	Market value as percentage of net assets	%			
													(Rupees in '000)
Shares of listed companies - fully paid ordinary shares of Rs.10 each unless stated otherwise													
Oil and gas exploration companies													
Pakistan Oilfields Limited	8,500	187,500	-	125,000	71,000	34,414	32,529	(1,885)	1.12%	1.42%	0.03%		
Oil & Gas Development Company Limited ***	-	787,000	-	300,000	487,000	77,724	68,516	(9,208)	2.35%	2.99%	0.01%		
Mari Petroleum Company Limited	-	21,380	-	20,600	780	1,075	1,229	154	0.04%	0.05%	0.00%		
Pakistan Petroleum Limited	-	895,700	-	292,500	603,200	99,649	89,358	(10,291)	3.07%	3.90%	0.03%		
						212,862	191,632	(21,230)	6.58%	8.36%	0.07%		
Oil and gas marketing companies													
Attock Petroleum Limited	-	54,500	-	54,200	300	207	188	(19)	0.01%	0.01%	0.00%		
Sui Southern Gas Company Limited - a related party	-	500,000	-	500,000	-	-	-	-	-	-	-		
Sui Northern Gas Pipelines Limited - a related party	-	1,592,000	-	1,076,000	516,000	63,189	76,843	13,654	2.64%	3.35%	0.08%		
Hascol Petroleum Limited	-	254,300	-	217,600	36,700	11,737	12,518	781	0.43%	0.55%	0.03%		
						75,133	89,549	14,416	3.08%	3.91%	0.11%		
Refinery													
National Refinery Limited	-	80,000	-	80,000	-	-	-	-	-	-	-		
Attock Refinery Limited	-	232,000	-	134,700	97,300	44,803	37,225	(7,578)	1.28%	1.62%	0.11%		
						44,803	37,225	(7,578)	1.28%	1.62%	0.11%		
Engineering													
Amreli Steels Limited	-	358,500	-	98,000	260,500	26,342	32,028	5,686	1.10%	1.40%	0.09%		
Aisha Steel Mills Limited - a related party	-	1,850,000	-	1,850,000	-	-	-	-	-	-	-		
International Industries Limited	-	266,800	-	31,000	235,800	56,011	86,909	30,898	2.98%	3.79%	0.20%		
Crescent Steel & Allied Products Limited	-	345,100	-	314,400	30,700	7,168	7,324	156	0.25%	0.32%	0.04%		
Mughal Iron & Steel Industries Limited	-	405,000	-	-	405,000	33,741	32,696	(1,045)	1.12%	1.43%	0.16%		
International Steels Limited	-	1,190,500	-	692,500	498,000	71,980	63,689	(8,291)	2.19%	2.78%	0.11%		
						195,242	222,646	27,404	7.64%	9.72%	0.60%		
Pharmaceuticals													
Abbott Laboratories (Pakistan) Limited	-	16,500	-	-	16,500	15,675	15,421	(254)	0.53%	0.67%	0.02%		
The Searle Company Limited	-	58,100	-	58,100	-	-	-	-	-	-	-		
GlaxoSmithKline (Pakistan) Limited	-	305,000	-	165,000	140,000	30,508	27,569	(2,939)	0.95%	1.20%	0.04%		
						46,183	42,990	(3,193)	1.48%	1.87%	0.06%		

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Name of the Investee Company	Number of shares					Balance as at June 30, 2017			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued share capital
	As at July 01, 2016	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2017	Cost	Market Value	Appreciation / (Diminution)			
Textile Composite											
Nishat Mills Limited - a related party	-	110,700	-	101,200	9,500	1,569	1,508	(61)	0.05%	0.07%	0.00%
Fertilizer											
Engro Corporation Limited	-	799,600	-	193,000	606,600	208,223	197,697	(10,526)	6.78%	8.62%	0.12%
Engro Fertilizers Limited	-	2,079,500	-	2,079,500	-	-	-	-	-	-	-
Dawood Hercules Corporation Limited	-	266,200	-	266,200	-	-	-	-	-	-	-
Fatma Fertilizer Company Limited - a related party	-	325,000	-	325,000	-	-	-	-	-	-	-
Cement											
Kohat Cement Company Limited	188	117,000	-	10,688	106,500	32,110	24,416	(7,694)	0.84%	1.07%	0.07%
Lucky Cement Limited	5,419	490,000	-	265,619	229,800	194,315	192,173	(2,142)	6.59%	8.38%	0.07%
Dewan Cement Limited	-	650,000	-	650,000	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	-	1,392,600	-	777,900	614,700	75,798	68,453	(7,345)	2.35%	2.99%	0.12%
Cherat Cement Company Limited	-	636,800	-	532,100	104,700	20,595	18,718	(1,877)	0.64%	0.82%	0.06%
D.G. Khan Cement Company Limited - a related party	-	700,000	-	257,000	443,000	103,525	94,430	(9,095)	3.24%	4.12%	0.10%
Pioneer Cement Limited	-	444,900	-	426,400	18,500	2,809	2,405	(404)	0.08%	0.11%	0.01%
Thatta Cement Company Limited - a related party	-	767,500	-	6,500	761,000	38,314	30,417	(7,897)	1.04%	1.33%	0.76%
Fauji Cement Company Limited	-	2,039,000	-	1,540,500	498,500	22,879	20,454	(2,425)	0.70%	0.89%	0.04%
Chemical											
Archroma Pakistan Limited	-	19,700	-	-	19,700	14,440	14,042	(398)	0.48%	0.61%	0.06%
Engro Polymer and Chemicals Limited	-	2,485,000	-	250,000	2,235,000	75,130	81,576	6,446	2.80%	3.56%	0.34%
ICI Pakistan Limited	-	8,100	-	-	8,100	9,035	8,866	(169)	0.30%	0.39%	0.01%
Ghani Gases Limited	-	207,500	-	207,500	-	-	-	-	-	-	-
Paper and board											
Packages Limited	1,050	32,800	-	33,050	800	648	557	(91)	0.02%	0.02%	0.00%
Century Paper & Board Mills Limited	-	286,000	-	286,000	-	-	-	-	-	-	-
Cherat Packaging Limited	-	100,000	-	-	100,000	28,000	23,778	(4,222)	0.82%	1.04%	0.34%
Sugar & Allied Industries											
Faran Sugar Mills Limited	-	101,500	-	-	101,500	15,780	8,146	(7,634)	0.28%	0.36%	0.41%
						15,780	8,146	(7,634)	0.28%	0.36%	0.41%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Name of the Investee Company	Number of shares				Balance as at June 30, 2017				Market value as percentage of total investments	Par value as percentage of issued share capital	
	As at July 01, 2016	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2017	Cost	Market Value	Appreciation / (Diminution)			Market value as percentage of net assets
Technology and telecommunication											
NetSol Technologies Limited	-	150,000	-	-	150,000	10,575	8,675	(1,900)	0.30%	0.38%	0.17%
Power generation and distribution											
Hub Power Company Limited ***	32	1,897,400	-	517,000	1,380,432	176,172	162,104	(14,068)	5.56%	7.07%	0.12%
Pakgen Power Limited - a related party	5,000	-	-	3,500	1,500	36	30	(6)	0.00%	0.00%	0.00%
						176,208	162,134	(14,074)	5.56%	7.07%	0.12%
Commercial banks											
Faysal Bank Limited	-	-	-	-	-	-	-	-	-	-	-
Meezan Bank Limited	-	58,500	-	24,000	34,500	2,260	2,726	466	0.09%	0.12%	0.00%
						2,260	2,726	466	0.09%	0.12%	0.00%
Automobile assemblers											
Ghandhara Industries Ltd	-	44,700	-	-	44,700	35,619	29,060	(6,559)	1.00%	1.27%	0.21%
Honda Atlas Cars (Pakistan) Limited	-	75,500	-	3,200	72,300	55,614	62,734	7,120	2.15%	2.74%	0.05%
Agriauto Industries Limited **	-	24,300	-	-	24,300	7,836	10,495	2,659	0.36%	0.46%	0.08%
Pak Suzuki Motor Company Limited	-	124,600	-	60,800	63,800	39,047	49,787	10,740	1.71%	2.17%	0.08%
Himopak Motors Limited	-	500	-	-	500	713	655	(58)	0.02%	0.03%	0.00%
						138,829	152,731	13,902	5.24%	6.67%	0.42%
Cable & Electrical Goods											
Pak Elektron Limited	-	1,523,500	-	766,000	757,500	67,716	83,567	15,851	2.87%	3.65%	0.15%
						67,716	83,567	15,851	2.87%	3.65%	0.15%
Power generation & distribution											
K-Electric Limited *	-	4,679,000	-	-	4,679,000	38,552	32,285	(6,267)	1.11%	1.41%	0.02%
						38,552	32,285	(6,267)	1.11%	1.41%	0.02%
Automobile parts & accessories											
Ghandhara Nissan Limited	-	18,900	-	18,900	-	-	-	-	-	-	-
General Tyre and Rubber Company of Pakistan Limited	-	90,000	-	-	90,000	28,787	27,315	(1,472)	0.94%	1.19%	0.15%
						28,787	27,315	(1,472)	0.94%	1.19%	0.15%
Glass & Ceramics											
Shabbir Tiles and Ceramics Limited	-	1,677,500	-	1,650,000	27,500	361	527	166	0.02%	0.02%	0.01%
Tariq Glass Industries Limited	-	450,000	-	-	450,000	52,202	49,842	(2,360)	1.71%	2.17%	0.61%
						52,563	50,369	(2,194)	1.73%	2.19%	0.62%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Name of the Investee Company	Number of shares					Balance as at June 30, 2017			Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued share capital
	As at July 01, 2016	Purchases during the year	Bonus / Right issue	Sales during the year	As at June 30, 2017	Cost	Market Value	Appreciation / (Diminution)			
Leather & Tanneries Service Industries Limited	-	26,450	-	1,300	25,150	33,673	34,682	1,009	1.19%	1.51%	0.21%
Miscellaneous						33,673	34,682	1,009	1.19%	1.51%	0.21%
Synthetic Products Enterprises Limited - a related party	-	392,000	-	-	392,000	30,543	29,576	(967)	1.02%	1.29%	0.46%
						30,543	29,576	(967)	1.02%	1.29%	0.46%
Total as at June 30, 2017						<u>1,997,099</u>	<u>1,955,738</u>	<u>(41,361)</u>			
Total as at June 30, 2016						7,064	7,309	245			

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FOR THE YEAR ENDED JUNE 30, 2017**

7.2 Listed equity securities 'available-for-sale'

Name of the Investee Company	Number of shares						Balance as at June 30, 2017				
	As at July 01, 2016	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2017	Cost	Market value	Appreciation / (diminution)	Market value as percentage of net assets	Market value as percentage of total investments	Par value as percentage of issued share capital
Fully paid ordinary shares of Rs.10 each											
Automobile and parts											
Agriauto Industries Limited **	103,000	23,000	-	104,800	21,200	5,731	9,156	3,425	0.31%	0.40%	0.07%
Thal Limited **	80,100	-	-	80,100	-	-	-	-	-	-	-
Automobile Assembler											
Pak Suzuki Motor Company Limited	-	16,200	-	4,000	12,200	7,112	9,520	2,408	0.33%	0.42%	0.01%
Sazgar Engineering Works Limited	-	196,500	-	196,500	-	-	-	-	-	-	-
Honda Atlas Cars (Pakistan) Limited	-	45,300	-	33,600	11,700	7,024	10,152	3,128	0.35%	0.44%	0.01%
						14,136	19,672	5,536	0.68%	0.86%	0.02%
Pharmaceuticals											
Abbott Laboratories (Pakistan) Limited	43,000	-	-	41,950	1,050	685	981	296	0.03%	0.04%	0.00%
						685	981	296	0.03%	0.04%	0.00%
Cable and electrical goods											
Pak Elektron Limited	637,500	376,000	-	981,500	32,000	2,195	3,530	1,335	0.12%	0.15%	0.01%
						2,195	3,530	1,335	0.12%	0.15%	0.01%
Commercial banks											
Meezan Bank Limited	-	651,000	-	299,000	352,000	18,133	27,808	9,675	0.95%	1.21%	0.04%
						18,133	27,808	9,675	0.95%	1.21%	0.04%
Cement											
Cherat Cement Company Limited	355,000	143,000	-	282,300	215,700	23,044	38,563	15,519	1.32%	1.68%	0.12%
D.G. Khan Cement Company Limited - a related party	-	265,000	-	265,000	-	-	-	-	-	-	-
Kohat Cement Company Limited	60,612	-	-	60,612	-	-	-	-	-	-	-
Lucky Cement Limited	128,381	-	-	128,381	-	-	-	-	-	-	-
Maple Leaf Cement Factory Limited	300,000	200,000	-	500,000	-	-	-	-	-	-	-
Pioneer Cement Limited	351,000	61,500	-	412,500	-	-	-	-	-	-	-
						23,044	38,563	15,519	1.32%	1.68%	0.12%
Chemical											
Archroma Pakistan Limited	-	20,000	-	1,050	18,950	10,209	13,507	3,298	0.46%	0.59%	0.06%
Sitara Chemical Industries Limited	-	29,500	-	29,500	-	-	-	-	-	-	-
I.C.I Pakistan Limited	60,000	6,500	-	49,700	16,800	8,960	18,388	9,428	0.63%	0.80%	0.02%
						19,169	31,895	12,726	1.09%	1.39%	0.08%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Name of the Investee Company	Number of shares				Balance as at June 30, 2017				Market value as percentage of total investments	Par value as percentage of issued share capital
	As at July 01, 2016	Purchases during the year	Bonus / right issue	Sales during the year	As at June 30, 2017	Cost	Market value	Appreciation / (diminution)		
Engineering										
Amreli Steels Limited	520,000	273,000	-	793,000	-	-	-	-	-	-
International Steels Limited	-	77,500	-	77,500	-	-	-	-	-	-
Crescent Steel & Allied Products Limited	-	114,900	-	114,900	-	-	-	-	-	-
Mughal Iron & Steel Industries Limited	-	337,000	-	337,000	-	-	-	-	-	-
Fertilizer										
Dawood Hercules Corporation Limited	88,900	200,000	-	288,900	-	-	-	-	-	-
Engro Corporation Limited	363,800	114,000	-	477,800	-	-	-	-	-	-
Engro Fertilizers Limited	586,500	576,000	-	1,162,500	-	-	-	-	-	-
Fatima Fertilizer Company Limited - a related party	-	735,500	-	735,500	-	-	-	-	-	-
Fauji Fertilizer Bhn Qasim Limited	-	277,000	-	277,000	-	-	-	-	-	-
Glass and ceramics										
Tariq Glass Industries Limited	460,500	-	-	460,500	-	-	-	-	-	-
Miscellaneous										
Shifa International Hospitals Limited	89,820	-	-	89,300	520	146	172	26	0.01%	0.01%
MACPAC Films Limited	-	125,500	-	125,500	-	-	-	-	-	-
Oil and gas exploration companies										
Mari Petroleum Company Limited	44,300	23,950	-	19,200	49,050	39,111	77,285	38,174	2.65%	3.37%
Oil & Gas Development Company Limited ***	613,000	474,100	-	927,000	160,100	22,714	22,525	(189)	0.77%	0.98%
Pakistan Oilfields Limited	243,300	81,000	-	279,600	44,700	15,467	20,479	5,012	0.70%	0.89%
Pakistan Petroleum Limited	-	437,400	-	295,300	142,100	22,777	21,051	(1,726)	0.72%	0.92%
						100,069	141,340	41,271	4.84%	6.16%
Oil and gas marketing companies										
Hassco Petroleum Limited	1,390	129,100	-	129,100	1,390	308	474	166	0.02%	0.02%
Sui Northern Gas Pipelines Limited - a related party	-	500,000	-	500,000	-	-	-	-	-	-
Hi Tech Lubricants Limited	426,500	-	-	426,500	-	-	-	-	-	-
Shell Pakistan Limited	19,600	-	-	19,600	-	-	-	-	-	-
						308	474	166	0.02%	0.02%
Paper and board										
Packages Limited	31,450	33,250	-	64,300	400	281	278	(3)	0.01%	0.01%
						281	278	(3)	0.01%	0.01%

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
8. PROFIT AND OTHER RECEIVABLES			
Accrued profit on deposit accounts with banks		2,471	389
Prepayments		67	-
Dividend receivable		5,897	2,373
		<u>8,435</u>	<u>2,762</u>
9. ADVANCES AND DEPOSITS			
Security deposit with NCCPL		2,500	2,500
Security deposit with Central Depository Company of Pakistan Limited		300	300
Advance tax		426	426
		<u>3,226</u>	<u>3,226</u>
10. PAYABLE TO THE MANAGEMENT COMPANY			
Remuneration payable	10.1	4,491	1,823
Sales tax on management fee		584	255
Expenses payable to Management Company and related taxes		225	91
Marketing and selling expenses	10.2	2,961	-
Sales load payable		316	121
Shariah advisor fee		75	75
		<u>8,652</u>	<u>2,365</u>

10.1 Under the provisions of the NBFC Regulations, the Management Company of the Fund is entitled to a remuneration, during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such assets of the Fund. The Management Company has charged remuneration at a rate of two percent per annum during the year.

10.2 The Securities and Exchange Commission of Pakistan "the Commission", in exercise of its power through Circular No. 40 of 2016 amended through Circular No. 05 of 2017 prescribed the conditions for assets management companies for permissibility of charging selling and marketing expenses to open end equity, asset allocation and index funds subject to a maximum of 0.4% per annum of net assets of the Fund or actual, whichever is lower, from January 1, 2017 to December 31, 2019, an initially allowed period of three years. Management after approval of their Board of Directors and fulfillment of the criteria prescribed by the Commission has accordingly made an accrual of Rs.2.96 million since March 24, 2017 at the maximum rate of 0.4% per annum of net assets of the Fund being less than the actual expenses allocable to the Fund.

11. PAYABLE TO THE TRUSTEE

Trustee fee	11.1	<u>347</u>	<u>198</u>
-------------	------	------------	------------

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

Average net asset value

Up to Rs.1 billion

Amount exceeding Rs.1 billion

Tariff per annum

Rs.0.7 million or 0.20% per annum of net assets, whichever is higher

Rs.2.0 million plus 0.10% p.a. of net assets exceeding Rs.1 billion

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

This represents annual fee payable to SECP in accordance with Regulation 62 of the NBFC Regulations, whereby the Fund is required to pay SECP an amount at the rate of 0.095% (June 30, 2016: 0.095%) of the average daily net assets of the Fund.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Note	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
13. ACCRUED AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	13.1	9,948	15,754
Federal excise duty payable on management fee	15	5,689	5,689
Federal excise duty payable on sales load		125	125
Sale load payable - MCB		32	-
Auditors' remuneration		424	385
Brokerage payable		3,927	1,827
Conversion cost payable		-	563
Withholding tax payable		582	90
Charity / donation payable		1,018	738
Others		482	393
		22,227	25,564

13.1 Provision for Workers' Welfare Fund

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

Subsequently, the Finance Act, 2015 introduced an amendment under which CISs / mutual funds have been excluded from the definition of "industrial establishment" subject to WWF under the WWF Ordinance. Consequently, mutual funds are not subject to this levy after the introduction of this amendment which is applicable from tax year 2016. Accordingly, no further provision in respect of WWF was made with effect from July 01, 2015.

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

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

In view of the above developments regarding the applicability of WWF and SWWF on CISs / mutual funds, MUFAP has recommended the following to all its members on January 12, 2017:

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

i. based on legal opinion, the entire provision against WWF held by the CISs till June 30, 2015, to be reversed on January 12, 2017; and

ii. the provision in respect of SWWF should be made on a prudent basis with effect from the date of enactment of the SWWF Act, 2014 (i.e. starting from May 21, 2015) on January 12, 2017.

The above decisions were communicated to SECP and the Pakistan Stock Exchange Limited on January 12, 2017 and the SECP vide its letter dated February 01, 2017 has advised MUFAP that the adjustments relating to the above should be prospective and supported by adequate disclosures in the financial statements of the CISs / mutual funds. Accordingly, the Fund has recorded these adjustments in its books on January 12, 2017.

The provision for SWWF is now being made on a daily basis. Had the provision for SWWF not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re.0.042 per unit.

14. CONTINGENCIES AND COMMITMENTS

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

15. FEDERAL EXCISE DUTY ON MANAGEMENT FEE

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

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

On June 30, 2016 the SHC had passed a Judgment that after 18th amendment in the Constitution of Pakistan, the Provinces alone have the legislative power to levy a tax on rendering or providing services, therefore, chargeability and collection of FED after July 01, 2011 is ultra vires to the Constitution of Pakistan. On September 23, 2016, the Federal Board of Revenue (FBR) filed an appeal in the Supreme Court of Pakistan (SCP) against above judgement, which is pending adjudication.

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

In view of the above, the Fund has discontinued making further provision in respect of FED on remuneration of the Management Company with effect from July 1, 2016. However, as a matter of abundant caution the provision for FED made for the period from June 13, 2013 till June 30, 2016 amounting to Rs.5.689 million (2016: Rs.5.689 million) is being retained in the financial statements of the Fund as the matter is pending before the Supreme Court of Pakistan. Had the said provision for FED not been recorded in the financial statements of the Fund, the net asset value of the Fund as at June 30, 2017 would have been higher by Re.0.024 per unit (2016: Re.0.054).

16. AUDITORS' REMUNERATION

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Annual audit fee	225	225
Half yearly review fee	100	100
Other certification and services	175	100
	500	425
Sales tax	40	26
Out of pocket expenses	68	93
	608	544

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

17. 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 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 other than unrealised 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 intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in these financial statements.

18. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel, other associated undertakings.

The transactions with connected persons are in the normal course of business.

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

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
18.1 Transactions during the year		
MCB-Arif Habib Savings and Investments limited -		
Management Company		
Remuneration including indirect taxes	42,697	21,584
Payment of Conversion cost	-	1,520
Marketing and selling expense	2,961	-
Expense allocated by Management		
Company and related taxes	2,135	580
Shahriah advisory fee	900	542
Central Depository Company of Pakistan Limited - Trustee		
Remuneration and settlement charges for the year	3,800	1,990
Arif Habib Limited - Brokerage house		
Brokerage *	955	494
Next Capital Limited		
Brokerage *	783	273
MCB Bank Limited		
Bank charges	42	13
D.G. Khan Cement Company Limited		
Issue of Nil units (2016: 1901 units)	-	20
Dividend income	678	-
Dividend paid	-	20
Purchase of Shares : 965,000 (2016: Nil Shares)	199,010	-
Sale of Shares : 522,000 (2016 : Nil Shares)	88,369	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
D.G. Khan Cement Company Limited - Employees Provident Fund Trust		
Issue of 51,334 units (2016: 4,120 units)	607	-
Dividend Paid	607	-
Nishat Mills Limited		
Purchase of shares: 496,700 (2016: 508,000)	70,887	53,319
Sale of shares: 905,200 (2016: 90,000)	134,291	11,146
Issue of 110,724 units (2016: 4,120 units)	1,310	44
Dividend income	2,648	-
Dividend paid	1,310	50
Adamjee Life Assurance Company Limited - NUIL FUND		
Issue of 6,355,054 units (2016: NIL units)	82,508	-
Dividend paid	7,508	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
Issue of 4,264,630 units (2016: 14,024,466 units)	50,451	146,675
Dividend paid	50,451	1,914
Adamjee Life Assurance Company Limited - Investment Amanat Fund		
Issue of 4,009,859 units (2016: 7,223,000 units)	50,431	71,315
Redemption of 1,404,190 units (2016: NIL Units)	19,300	-
Dividend paid	11,431	360
Adamjee Life Assurance Company Limited - ISF		
Issue of 3,449,676 units (2016: NIL Units)	42,500	-
Adamjee Life Assurance Company Limited - ISF -II		
Issue of 3,043,831 units (2016: NIL Units)	37,500	-
Adamjee Life Assurance Company Limited - MAZAAF		
Issue of 829,753 units (2016: NIL Units)	9,980	-
Dividend paid	980	-
Alhamra Islamic Active Allocation Plan I		
Issue of 145,459,842 units (2016: Nil Units)	1,901,039	-
Redemption of 74,356,506 units (2016: Nil Units)	1,015,901	-
Alhamra Islamic Active Allocation Plan II		
Issue of 2,029,220 units (2016: Nil Units)	25,000	-
Lalpir Power Limited		
Purchase of Shares : Nil Shares (2016: 759,000 Shares)	-	24,526
Sale of Shares : 759,000 Shares (2016: Nil Shares)	17,022	-
Dividend income	479	1,518
Pakgen Power Limited		
Purchase of shares: Nil shares (2016: 602,000)	-	18,462
Sale of Shares : 600,500 Shares (2016: Nil Shares)	14,082	-
Dividend income	719	607

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Fatima Fertilizers Limited		
Purchase of shares: 1,060,500 shares (2016: 825,000)	35,631	36,658
Sale of shares: 1,060,500 shares (2016: 873,000)	40,078	31,868
Dividend income	107	-
Synthetic Products Enterprises Limited		
Purchase of shares: 392,000 shares (2016: Nil Shares)	30,543	-
Dividend Income	90	-
Aisha Steel Mills Limited		
Purchase of Shares : 1,850,000 (2016: Nil Shares)	41,942	-
Sale of Shares : 1,850,000 (2016: Nil Shares)	48,792	-
Thatta Cement Company Limited		
Purchase of Shares : 767,500 (2016: Nil Shares)	38,641	-
Sale of shares: 6,500 shares (2016: Nil Shares)	312	-
Key management personnel		
Issue of 3,019,097 units (2016: 185,006 units)	40,638	1,879
Redemption of 2,706,878 units (2016: 116,254 units)	36,239	1,218
Dividend paid	631	6
Mandate Under Discretionary Portfolio Services		
Issue of 16,588,517 units (2016: 4,327,729 units)	201,553	43,896
Redemption of 20,030,878 units (2016: 2,357,729 units)	244,426	24,027
Dividend paid	17,647	681
18.2 Balances outstanding at year end are as follows:		
Management Company		
Remuneration payable to Management Company	4,491	1,823
Sales tax payable on management fee	584	255
Conversion cost payable	-	563
Sales load payable including related sales tax	280	106
Sales tax payable on sales load	36	15
Marketing and selling charges payable	2,961	-
Expense allocated by Management Company and related taxes	225	91
Shariah advisory fee	75	75
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable (including related taxes)	347	198
Security deposits	300	300
Arif Habib Limited - Brokerage house		
Brokerage payable	458	217
Next Capital - Brokerage House		
Brokerage payable	283	125
D.G Khan Cement Company Limited - Employees Provident Fund Trust		
456,190 units held (2016: 404,856 units)	5,588	4,300
MCB Bank Limited		
Sale load payable	32	-
Balances with bank	1,517	28,962

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2017 ----- (Rupees in '000) -----	June 30, 2016
Nishat Mills Limited		
1,108,715 units held (2016: 997,991 units)	13,582	10,599
Shares held: 9,500 (2016: 418,000)	1,508	45,102
Adamjee Life Assurance Company Limited - NUIL FUND		
6,355,054 units held (2016: NIL units)	77,849	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund		
42,703,159 units held (2016: 38,438,529 units)	523,114	408,217
Adamjee Life Assurance Company Limited - Amanat Fund		
9,828,699 units held (2016: 7,223,000 units)	120,401	76,708
Adamjee Life Assurance Company Limited - ISF		
3,449,676 units held (2016: NIL units)	42,259	-
Adamjee Life Assurance Company Limited - ISF - II		
3,043,831 units held (2016: NIL units)	37,287	-
Adamjee Life Assurance Company Limited - MAZAAF		
829,753 units held (2016: Nil units)	10,164	-
Pakgen Power Limited		
Shares held: 1,500 (2016: 602,000)	30	14,478
Alhamra Islamic Active Allocation Plan I		
71,103,336 units held (2016: NIL units)	871,016	-
Alhamra Islamic Active Allocation Plan II		
2,029,220 units held (2016: NIL units)	24,858	-
D.G. Khan Cement Company Limited		
443,000 shares held (2016: NIL shares)	94,430	-
Synthetic Products Enterprises Limited		
392,000 shares held (2016: NIL shares)	29,576	-
Lalpir Power Limited		
Shares held: Nil (2016: 759,000)	-	16,470
Thatta Cement Company Limited		
761,000 shares held (2016: NIL shares)	30,417	-
Key management personnel		
675,838 units held (2016: 83,877 units)	8,280	3,861
Mandate Under Discretionary Portfolio Services		
12,421,221 units held (2016: 15,863,580 units)	152,185	168,458

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

19. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Names	Designation	Qualification	Experience in years
Mr. Muhammad Saqib Saleem	Chief Executive Officer	FCA & FCCA	20
Mr. Muhammad Asim	Chief Investment Officer	MBA & CFA	14
Mr. Saad Ahmed	Portfolio Manager – Fixed Income	MBA	12
Mr. Awais Abdul Sattar	Senior Research Analyst	MBA & CFA	6
Mr. Aitazaz Farooqi	Research Analyst	MBA & CFA Level III	3
Mr. Syed Abid Ali	Head of Equity	MBA	9

19.2 Mr. Awais Abdul Sattar, CFA is the Fund Manager. He is also the Fund Manager of Pakistan International Element Islamic Asset Allocation Fund, MCB Pakistan Frequent Payout Fund and Pakistan Islamic Pension Fund.

20. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	June 30, 2017 %
Arif Habib Limited	8.98
Next Capital Limited	7.37
JS Global Capital Limited	7.33
BMA Capital Management Limited	6.32
BIPL Securities Limited	6.11
Elixir Securities Pakistan (Private) Limited	5.39
Top Line Securities (Private) Limited	4.67
Taurus Securities Limited	4.66
Optimas Capital Management (Private) Limited	4.30
Intermarket Securities Limited	4.27
	June 30, 2016 %
Arif Habib Limited	12.10
Al-Habib Capital Market (Private) Limited	7.00
Next Capital Limited	6.70
Habib Metro Financial Services Limited	5.12
Top Line Securities (Private) Limited	4.87
JS Global Capital Limited	4.78
DJM Securities (Private) Limited	4.65
Pearl Securities Limited	4.60
Shajar Capital Pakistan (Private) Limited	4.44
KASB Securities Limited	4.30

21. PATTERN OF UNIT HOLDINGS

	As at June 30, 2017			
	Number of unit holders	Number of Units held	Net asset value of the amount invested Rupees in '000	Percentage investment %
Individuals	2,092	46,300,444	567,273	19.46
Insurance companies	9	9,380,565	114,931	3.94
Bank / DFIs	3	1,332,469	16,325	0.56
Retirement funds	2	4,690,740	57,471	1.97
Associated companies	8	66,945,293	820,214	28.14
NBFC	2	332,616	4,075	0.14
Others	62	108,934,586	1,334,667	45.79
	2,178	237,916,714	2,914,957	100.00

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	As at June 30, 2016			
	Number of unit holders	Number of Units held	Net asset value of the amount invested Rupees in '000	Percentage investment %
Individuals	1,262	25,916,729	275,214	24.51
Insurance companies	2	239,518	2,543	0.23
Bank / DFIs	3	1,182,529	12,557	1.12
Retirement funds	2	1,222,761	12,985	1.16
Associated companies	5	47,064,376	499,784	44.51
NBFC	2	298,169	3,166	0.28
Others	51	29,823,729	316,703	28.20
	1,327	105,747,811	1,122,952	100.00

22. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

During the year, 126th, 127th, 128th, 129th, 130th, 131st, 132nd, and 133rd Board meetings were held on July 12, 2016, August 05, 2016, August 15, 2016, October 21, 2016, February 02, 2017, March 20, 2017, April 21, 2017 and May 12, 2017 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of persons attending the meetings	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mian Muhammad Mansha	8	1	7	126th, 128th, 129th, 130th, 131st, 132nd, 133rd
Nasim Beg	8	6	2	127th, 130th
Muhammad Saqib Saleem	8	8	-	-
Salman Shah	8	7	1	126th
Haroon Rashid	8	2	6	126th, 127th, 128th, 130th, 131st, 132nd
Ahmed Jahangir	8	8	-	-
Samad A. Habib	8	5	3	128th, 129th, 131st
Mirza Mehmood	8	1	4	130th, 131st, 132nd, 133rd
Mirza Qamar Beg	8	3	-	-

23. FINANCIAL RISK MANAGEMENT

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

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

23.1 Market risk

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

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

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

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

23.1.1 Currency risk

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

23.1.2 Profit rate risk

Profit rate risk arises from the effects of fluctuations in the prevailing levels of market profit rates on the fair value of financial instruments and future cash flows. The profit rate environment is monitored on a regular basis and the portfolio mix of fixed and floating rate securities is altered. The Fund's investment in fixed profit rate securities expose it to fair value profit rate risk and investments in variable profit rate securities expose the Fund to cash flow profit rate risk.

a) Sensitivity analysis of variable rate instruments

In case of 100 basis points increase / decrease in KIBOR at year end, the net assets attributable to unit holders of the Fund and net income for the year would be higher / lower by Rs.7.62 million (June 30, 2016: Rs.0.40 million).

b) Sensitivity analysis of fixed rate instruments

Presently, the Fund does not hold any fixed rate instrument as at June 30, 2017 which expose the Fund to fair value profit rate risk (June 30, 2016: Nil).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2017 is not necessarily indicative of the impact on the Fund's net assets of future movements in profit rates.

Profit 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 instruments is based on the settlement date.

June 30, 2017					
Exposed to profit rate risk					
Profit rate (%)	Up to three months	More than three months and up to one year	More than one year	Not exposed to profit rate risk	Total
On-balance sheet financial instruments					
Financial assets					
Balances with banks	5.25 - 5.60	762,315	-	15,110	777,425
Investments classified:					
At fair value through profit or loss'					
- held-for-trading		-	-	1,955,738	1,955,738
Available-for-sale		-	-	337,160	337,160
Receivable against sale of investments		-	-	9,034	9,034
Profit and other receivables		-	-	8,368	8,368
Deposits		-	-	2,800	2,800
		<u>762,315</u>	<u>-</u>	<u>2,328,210</u>	<u>3,090,525</u>
Financial liabilities					
Payable to the Management Company		-	-	8,068	8,068
Payable to the trustee		-	-	347	347
Unclaimed dividend		-	-	12,400	12,400
Payable against purchase of equity securities		-	-	78,640	78,640
Payable against redemption of units		-	-	52,000	52,000
Accrued and other liabilities		-	-	5,565	5,565
		<u>-</u>	<u>-</u>	<u>157,020</u>	<u>157,020</u>
On-balance sheet gap		<u>762,315</u>	<u>-</u>	<u>2,171,190</u>	<u>2,933,505</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	June 30, 2016					Total
	Profit rate (%)	Exposed to profit rate risk			Not exposed to profit rate risk	
		Up to three months	More than three months and up to one year	More than one year		
(Rupees in '000)						
On-balance sheet financial instruments						
Financial assets						
Balances with banks	5.5 - 6	39,920	-	-	42,242	82,162
Investments classified:						
At fair value through profit or loss'						
- held-for-trading		-	-	-	7,309	7,309
Available-for-sale		-	-	-	1,055,456	1,055,456
Receivable against sale of investments		-	-	-	32,167	32,167
Profit and other receivables		-	-	-	2,762	2,762
Deposits		-	-	-	2,800	2,800
		<u>39,920</u>	<u>-</u>	<u>-</u>	<u>1,142,736</u>	<u>1,182,656</u>
Financial liabilities						
Payable to the Management Company		-	-	-	2,110	2,110
Payable to the trustee		-	-	-	198	198
Unclaimed dividend		-	-	-	12,400	12,400
Payable against purchase of equity securities		-	-	-	18,829	18,829
Accrued and other liabilities		-	-	-	3,809	3,809
		<u>-</u>	<u>-</u>	<u>-</u>	<u>37,346</u>	<u>37,346</u>
On-balance sheet gap		<u>39,920</u>	<u>-</u>	<u>-</u>	<u>1,105,390</u>	<u>1,145,310</u>

23.1.3 Other price risk

Other price risk is the risk that the fair value of the financial instrument will fluctuate as a result of changes in market prices (other than those arising from profit rate risk or currency risk), whether caused by factor specific to an individual investment, its issuer or factors affecting all instrument traded in the market.

The Fund has exposure to equity price risk arising from its investments in equity securities. The Fund manages its price risk arising from investment in the equity securities by diversifying its portfolio within the eligible limits prescribed in the Fund's Constitutive Documents, NBFC Regulations and circulars issued by SECP from time to time. The Fund's equity investments are concentrated in the sectors given in notes 7.1 and 7.2.

At June 30, 2017, the fair value of equity securities exposed to price risk is disclosed in note 7.1 and 7.2.

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

	June 30, 2017	June 30, 2016
	(Rupees)	
Effect due to increase / decrease in KSE 100 index		
Investment and net assets	<u>114,645</u>	<u>53,138</u>
Income statement	<u>114,645</u>	<u>53,138</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

23.2 Credit risk

Credit risk is the risk that the counterparty to a financial instrument will cause a financial loss for the Fund by failing to discharge its obligation. The Fund's policy is to enter into financial contracts with reputable counter parties in accordance with the internal guidelines, offering document and regulatory requirements.

The table below analyses the Fund's maximum exposure to credit risk. The maximum exposure is shown gross, before the effect of mitigation through the use of collateral agreements at reporting date:

	June 30, 2017	June 30, 2016
	----- (Rupees in '000) -----	
Balances with banks	777,425	82,162
Receivable against sale of investments	9,034	32,167
Profit and other receivables	8,368	2,762
	794,827	117,091

All deposits with NCCPL and Central Depository Company of Pakistan Limited - CDC are highly rated and risk of default is considered minimal.

The analysis below summaries the credit rating quality of the Fund's financial assets as at June 30, 2017 and June 30, 2016:

	Rating	June 30, 2017	June 30, 2016
	Long-term / short-term	----- (Rupees in '000) -----	
Bank balances by rating category			
Deposit accounts			
United Bank Limited	AAA / A-1+	55,523	3,630
Bankislami Pakistan Limited	A+ / A-1	2,046	-
Habib Bank Limited	AAA / A-1+	12	7
Askari Bank Limited	AA+ / A-1+	466	7
Allied Bank Limited	AA+ / A-1+	6	-
Dubai Islamic Bank Pakistan Limited	AA- / A-1	704,255	36,276
		762,308	39,920
Current accounts			
Standard Chartered Bank (Pakistan) Limited	AAA / A-1+	7,305	7,305
Habib Metropolitan Bank Limited	AA+ / A-1+	27	856
Summit Bank Limited	A- / A-1	5,109	5,110
United Bank Limited	AAA / A-1+	1,146	3
MCB Bank Limited	AAA / A-1+	1,517	28,962
AlBaraka Bank (Pakistan) Limited	A+ / A-1	6	-
Bank Al-Habib Limited	AA+ / A-1+	5	6
		15,115	42,242
		777,423	82,162

The maximum exposure to credit risk before any credit enhancement as at June 30, 2017 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Receivables against sale of units

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2017

Advances and deposits

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

Concentration of credit risk

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

23.3 Liquidity risk

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

The Fund is exposed to daily cash redemptions, any, at the option of unit holders. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest the majority of its assets in investments that are traded in an active market and can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short-term to ensure settlement. During the current year, the Fund did not availed any borrowing. As per the NBFC Regulations the maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets up to 90 days and would be secured by the assets of the Fund and bear profit at commercial rates.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units in issue. The Fund did not withhold any redemptions during the year.

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

	As at June 30, 2017			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	8,068	8,068	-	-
Payable to the trustee	347	347	-	-
Unclaimed dividend	12,400	12,400	-	-
Payable against purchase of equity securities	78,640	78,640	-	-
Payable against redemption of units	52,000	52,000	-	-
Accrued and other liabilities	5,565	-	5,565	-
	157,021	151,456	5,565	-

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	As at June 30, 2016			
	Carrying value	Upto one month	More than one month upto three months	More than three months and upto one year
	----- (Rupees in '000) -----			
Liabilities				
Payable to the Management Company	2,110	2,365	-	-
Payable to the trustee	198	198	-	-
Unclaimed dividend	12,400	12,400	-	-
Payable against purchase of equity securities	18,829	18,829	-	-
Accrued and other liabilities	3,809	-	3,809	-
	<u>37,346</u>	<u>33,792</u>	<u>3,809</u>	<u>-</u>

23.4 Financial instruments by category

	As at June 30, 2017			
	Loans and receivables	At fair value through profit or loss' - held- for-trading	Available-for- sale investments	Total
		----- (Rupees in '000) -----		
Assets				
Balances with banks	777,425	-	-	777,425
Investments	-	1,955,738	337,160	2,292,898
Receivable against sale of investments	9,034	-	-	9,034
Profit and other receivables	8,368	-	-	8,368
Deposits	2,800	-	-	2,800
	<u>797,627</u>	<u>1,955,738</u>	<u>337,160</u>	<u>3,090,525</u>

	As at June 30, 2017			
		At fair value through profit or loss' - held- for-trading	Other financial liabilities	Total
		----- (Rupees in '000) -----		
Liabilities				
Payable to the Management Company	-	8,068	8,068	8,068
Payable to the Trustee	-	347	347	347
Unclaimed dividend	-	12,400	12,400	12,400
Payable against purchase of equity securities	-	78,640	78,640	78,640
Payable against redemption of units	-	52,000	52,000	52,000
Accrued and other liabilities	-	5,565	5,565	5,565
	<u>-</u>	<u>157,020</u>	<u>157,020</u>	<u>157,020</u>

	As at June 30, 2016			
	Loans and receivables	At fair value through profit or loss' - held- for-trading	Available-for- sale investments	Total
		----- (Rupees in '000) -----		
Assets				
Balances with banks	82,162	-	-	82,162
Investments	-	7,309	1,055,456	1,062,765
Receivable against sale of investments	32,167	-	-	32,167
Profit and other receivables	2,762	-	-	2,762
Deposits	2,800	-	-	2,800
	<u>119,891</u>	<u>7,309</u>	<u>1,055,456</u>	<u>1,182,656</u>

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	As at June 30, 2016		
	At fair value through profit or loss' - held- for-trading	Other financial liabilities	Total
	(Rupees in '000)		
Liabilities			
Payable to the Management Company	-	2,110	2,110
Payable to the Trustee	-	198	198
Unclaimed dividend	-	12,400	12,400
Payable against purchase of equity securities	-	18,829	18,829
Accrued and other liabilities	-	3,809	3,809
	-	37,346	37,346

23.5 Fair value hierarchy

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.

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

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

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

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

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

The table below analyse financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised:

	June 30, 2017			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Listed equity securities	1,955,738	-	-	1,955,738
	1,955,738	-	-	1,955,738
Financial assets classified as 'available-for-sale'				
Listed equity securities	337,160	-	-	337,160
	2,292,898	-	-	2,292,898
	June 30, 2016			
	Level 1	Level 2	Level 3	Total
	(Rupees in '000)			
Financial assets 'at fair value through profit or loss' - held-for-trading				
Listed equity securities	7,309	-	-	7,309
	7,309	-	-	7,309
Financial assets classified as 'available-for-sale'				
Listed equity securities	1,055,456	-	-	1,055,456
	1,062,765	-	-	1,062,765

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

24. UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit Holders' Fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' fund.

The Fund has no restrictions on the subscription and redemption of units. There is no specific capital requirement which is applicable to the fund.

The Fund's objectives when managing unit holder's fund are to safeguard its ability to continue as a going concern so that it can continue to provide returns for units holders and to maintain a strong base of assets to meet unexpected losses or opportunities.

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

Under the NBFC Regulations 2008, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme.

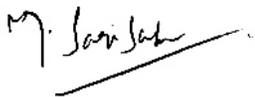
25. GENERAL

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

26. DATE OF AUTHORIZATION OF ISSUE

These financial statements were authorized for issue on August 04, 2017 by the Board of Directors of the Management Company.

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



Chief Executive Officer



Chief Financial Officer



Director

**PATTERN OF HOLDING AS PER REQUIREMENT OF CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2017**

Category	No.of Unit Holders	Units
Associated Companies, undertakings and related Parties		
Adamjee Life Assurance Co. Ltd. (IMF)	1	42,703,158
Adamjee Life Assurance Co. Ltd. Amaanat Fund	1	9,828,670
Adamjee Life Assurance Co. Ltd.-NUIL Fund	1	6,355,054
Adamjee Life Assurance Co.Ltd.(ISF)	1	3,449,675
Adamjee Life Assurance Co.Ltd.ISF-II	1	3,043,831
Nishat Mills Ltd.	1	1,108,715
D.G. Khan Cement Company Ltd Employees Provident Fund Trust	1	456,190
Adamjee Life Assurance Company Limited - MAZAAF	1	829,753
Mutual Funds		
Alhamra Islamic Active Allocation Plan I	1	71,103,336
Alhamra Islamic Active Allocation Plan II	1	2,029,221
Directors and their spouse (s) and minor children	-	-
Executives	14	675,838
Public sector companies and corporations		
Banks, Development Finance Institutiios, Non-Banking Finance Companies, Insurance Companies, Takaful, Modarbas and Pension Funds	15	11,113,497
Unitholders holding 5 percent or more Voting interest in the listed company	-	-
Others	2,139	85,219,776
	2,178	237,916,714

**PATTERN OF UNITS HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2017**

No. of Unit Holder	Unit holdings	Total Units Held
1417	0 - 10000	3,596,613
611	10001 - 100000	20,382,510
127	100001 - 1000000	32,522,387
23	1000001	181,415,203
2,178		237,916,714

**PERFORMANCE TABLE
FOR THE YEAR ENDED JUNE 30, 2017**

Performance Information	2017	2016	2015	2014
Total Net Assets Value – Rs. in million	2,915	1,123	666	358
Net Assets value per unit – Rupees	12.25	10.62	10.27	9.65
Closing Offer Price	12.67	11.06	10.55	9.92
Closing Repurchase Price	12.25	10.62	10.27	9.65
Highest offer price per unit	15.62	11.31	12.20	12.55
Lowest offer price per unit	11.20	9.50	9.64	9.86
Highest Redemption price per unit	15.11	10.86	11.82	12.21
Lowest Redemption price per unit	10.82	9.12	9.38	9.59
Distribution per unit – Rs. *	1.50	0.05	1.25	2.57
Average Annual Return - %				
One year	29.97	3.90	19.20	31.38
Two year	16.94	11.55	25.29	31.84
Three year	17.69	18.16	27.63	26.19
Net Income for the year – Rs. in million	472.59	(14.00)	63.89	87.45
Distribution made during the year – Rs. in million	193.14	5.16	41.41	75.23
Accumulated Capital Growth – Rs. in million	279.46	(19.16)	22.48	12.21

*** Date of Distribution**

2017	
Date	Rate

June 22, 2017 1.5

2015	
Date	Rate

June 22, 2015 1.25

2016	
Date	Rate

June 30, 2016 0.05

2013	
Date	Rate

July 04, 2013 2.02

2014	
Date	Rate

June 27, 2014 2.57

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.

**PROXY ISSUED BY FUND
FOR THE YEAR ENDED JUNE 30, 2017**

The Board of Directors of MCB - Arif Habib Savings and Investment Limited (the Management Company of the fund) have overall responsibility for the implementation of Proxy Voting Policy and Procedures which is available on Management Company's website (www.mcbah.com). During the financial year, the Management Company on behalf of the fund did not participate in 29 shareholders' meeting. Moreover, details of summarized proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	33	33	0	0	-
(%ages)	100	100	0	0	-

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

MCB-Arif Habib Savings and Investments Limited

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