



AL Habib Asset Management Limited

# Annual Report 2023



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## ***Vision***

*We at AL Habib Asset Management Limited make it possible for everyone to invest in Mutual Funds by providing innovative products.*

## ***Mission***

*We aim to excel in Fund Management business by:*

*Understanding the customer needs through close interaction.*

*Focusing on offering our investors the best possible returns on a diverse range of products.*

*Attaining sustained growth in an ethical manner.*

*Providing a conducive working environment that stimulates talent.*

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## DIRECTORS' REPORT

The Board of Directors of AL Habib Asset Management Limited is pleased to present the audited financial statements of the Funds under its management for the year ended June 30, 2023.

Pakistan's economy is now stabilizing after resumption of IMF program. It is projected to start an upward growth trajectory in the fiscal year 2024. The current monetary and fiscal policies adopted by the Government are expected to bring down inflation and stabilize the economy.

The Pakistan Stock Exchange benchmark index KSE-100 remained range bound during the period.

**AL Habib Cash Fund (AHCF)** generated net annualized return of 17.28% for the year ended June 30, 2023. The Fund's gross income was Rs. 4,272.56 million, which mainly comprises income of Rs. 3,391.25 million from government securities, Rs. 797.83 million from bank deposits, and Rs. 83.48 million from term deposit receipts. During the year, the Fund has distributed cumulative interim dividends of Rs. 15.89 per unit. VIS has affirmed the Fund's stability rating of AA+ (f) on December 13, 2022.

**AL Habib Money Market Fund (AHMMF)** generated net annualized return of 17.30% for the year ended June 30, 2023. The Fund's gross income was Rs. 842.55 million, which mainly comprises income of Rs. 696.50 million from government securities, Rs. 139.07 million from bank deposits, and Rs. 6.99 million from term deposit receipts. During the year, the Fund has distributed cumulative interim dividends of Rs. 15.93 per unit. VIS has assigned stability rating of AA+ (f) to the Fund on December 30, 2022.

**AL Habib Income Fund (AHIF)** generated net annualized return of 17.20% for the year ended June 30, 2023. The Fund's gross income was Rs. 443.50 million, which mainly comprises income of Rs. 390.79 million from investment in government securities, TFCs and Sukuks, Rs. 49.65 million from bank deposits, and Rs. 3.06 million from term deposit receipts. During the year, the Fund has distributed cumulative interim dividends of Rs. 16.05 per unit. PACRA has affirmed the Fund's stability rating of AA (f) on March 02, 2023.

**AL Habib Fixed Return Fund (AHFRF)** was launched on March 15, 2023. Six plans were launched during the period including Plan 1 and Plan 2 were matured on June 02, 2023 and June 16, 2023 respectively. The Fund's gross income was Rs. 154.941 million, which mainly comprises income of Rs. 147.89 million from investment in government securities, and Rs. 7.05 million from bank deposits.

**AL Habib Islamic Cash Fund (AHICF)** generated net annualized return of 16.69% for the year ended June 30, 2023. The Fund's gross income was Rs. 1,654.35 million, which mainly comprises income of Rs. 1,499.46 million from bank deposits and Rs. 154.89 million from term deposit receipts. During the year, the Fund has distributed cumulative interim dividends of Rs. 15.22 per unit. PACRA has assigned stability rating of AA+ (f) to the Fund on June 27, 2023.

**AL Habib Islamic Income Fund (AHIIF)** generated net annualized return of 15.58% for the year ended June 30, 2023. The Fund's gross income was Rs. 932.92 million, which mainly comprises income of Rs. 470.04 million from investment in Sukuks, Rs. 389.05 million from bank deposits and Rs. 73.83 million from term deposit receipts. During the year, the Fund has distributed cumulative interim dividends of Rs. 14.45 per unit. PACRA has affirmed stability rating of AA (f) of the Fund on March 02, 2023.

**AL Habib Islamic Savings Fund (AHISAVF)** generated net annualized return of 16.12% for the year ended June 30, 2023. The Fund's gross income was Rs. 557.86 million, which mainly comprises income of Rs. 309.12 million from bank deposits, Rs. 210.82 million from investment in Sukuks and Rs. 36.92 million from term deposit receipts.



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During the year, the Fund has distributed cumulative interim dividends of Rs. 14.64 per unit. PACRA has assigned stability rating of AA (f) to the Fund on June 27, 2023.

**AL Habib Islamic Munafa Fund (AHIMF)** was launched on March 31, 2023. Two plans were launched during the period, where Plan 1 matured on May 03, 2023. The Fund's gross income was Rs. 11.73 million which comprises of income of Rs. 6.33 million from bank deposits, Rs. 5.40 million from investment in Sukuks.

**AL Habib Asset Allocation Fund (AHAAF)** generated net return of 9.51% for the year ended June 30, 2023. The Fund's gross income was Rs. 11.97 million, which mainly comprises income of Rs. 5.18 million from bank deposits, Rs. 3.50 million from dividends, Rs. 6.25 million from investment in government securities, and capital losses incurred (realized and unrealized) of Rs. 2.96 million on investments. During the year, the Fund has distributed interim dividend of Rs. 8.89 per unit.

**AL Habib Stock Fund (AHSF)** generated negative return of 4.06% for the year ended June 30, 2023. The Fund's gross loss was Rs. 0.77 million, which mainly comprises income of Rs. 11.44 million from dividends, Rs. 2.91 million bank deposits, and capital losses incurred (realized and unrealized) of Rs. 15.12 million on equity investments.

**AL Habib Islamic Stock Fund (AHISF)** generated net return of 0.87% for the year ended June 30, 2023. The Fund's gross income was Rs. 8.93 million, which mainly comprises income of Rs. 22.74 million from dividends, income of Rs. 7.51 million from bank deposits, and capital losses incurred (realized and unrealized) of Rs. 21.32 million on equity investments. During the year, the Fund has distributed interim dividend of Re. 0.64 per unit.

**AL Habib Pension Fund (AHPF)** launched on June 30, 2022, generated net annualized returns of 16.88%, 17.37%, and 3.16%, for Money Market, Debt, and Equity Sub Funds, respectively, for the period ended June 30, 2023. The Money Market and Debt Sub Funds' gross income amounted to Rs. 10.25 million and Rs. 9.37 million, respectively, which comprise income from bank deposits and government securities. The Equity Sub Fund's gross income was Rs. 1.36 million, which mainly comprises income of Rs. 3.02 million from dividends, income of Rs. 1.51 million from bank deposits, and incurred losses of Rs. 3.17 million on investment portfolio.

**AL Habib Islamic Pension Fund (AHIPF)**, launched on September 05, 2022, generated net annualized returns of 15.20% and 15.99% for Money Market and Debt Sub Fund respectively and Equity Sub Funds generated absolute return of 4.86% for the period ended June 30, 2023. The Money Market and Debt Sub Funds' gross income amounted to Rs. 5.88 million and Rs. 6.31 million, respectively, which comprise income from bank deposits, debt instruments, and government securities. The Equity Sub Fund's gross income was Rs. 1.91 million, which mainly comprises income of Rs. 2.40 million from dividends, income of Rs. 0.63 million from bank deposits, and incurred losses of Rs. 1.12 million on investment portfolio.

We wish to thank our unit holders for their continued trust and support, Securities & Exchange Commission of Pakistan for their guidance, and Central Depository Company of Pakistan Limited for their cooperation. We also thank all our team members for their sincerity, dedication and hard work.

KASHIF RAFI  
Chief Executive

MANSOOR ALI  
Director

Karachi: August 17, 2023

**AL HABIB CASH FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION**

**Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4,  
Block 9, Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S,  
Main Shakra-e-Faisal, Karachi.

**Rating**

AA+ (f) Fund Stability Rating by VIS  
AM2+ Management Company Quality  
Rating Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Alfalah Limited  
Allied Bank Limited  
Habib Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto:info@cdcpak.com)

**TRUSTEE REPORT TO THE UNIT HOLDERS****AL HABIB CASH FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 AL Habib Cash Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2023





#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Debt Instruments</b>  <p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of debt investments which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement and valuations on the basis of prices determined by Mutual Funds Association of Pakistan (MUFAP).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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

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

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

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

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

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

**Chartered Accountants**

**Date:** 28 September 2023

**Karachi**

**UDIN Number:** AR202310191A0htLMzyZ

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**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances	4	644,059	21,182,077
Investments	5	24,248,296	1,575,000
Profit receivable	6	103,891	234,881
Advances, deposits and other receivables	7	1,239	1,368
<b>Total assets</b>		<b>24,997,485</b>	<b>22,993,326</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	14	28,404	11,941
Provision for Federal Excise Duty on remuneration of the Management Company	8	13,417	13,417
Payable to Central Depository Company of Pakistan Limited - Trustee	9	1,276	1,075
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	5,020	4,078
Payable against redemption of units	18	4	1,461
Accrued expenses and other liabilities	11	79,725	49,781
<b>Total liabilities</b>		<b>127,846</b>	<b>81,753</b>
<b>Net assets</b>		<b>24,869,639</b>	<b>22,911,573</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>24,869,639</b>	<b>22,911,573</b>
<b>Contingencies and Commitments</b>			
	12		
		(Number of Units)	
<b>Number of units in issue (face value of units is Rs.100 each)</b>		<b>245,571,980</b>	<b>226,596,248</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>101.27</b>	<b>100.95</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Income</b>			
Profit on bank deposits	13	797,831	1,514,630
Income from Government securities	5.1	3,485,191	599,113
Profit on Term deposit receipts		83,477	46,870
Net loss on investments classified at fair value through profit or loss			
- Loss on sale of government securities		(55,702)	(31,511)
- Net unrealised loss on government securities	5.1	(38,240)	-
		(93,941)	(31,511)
<b>Total income</b>		<b>4,272,557</b>	<b>2,129,102</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	14	195,691	82,285
Sindh Sales Tax on Management Company's remuneration	14.1	25,440	10,696
Expenses allocated by the Management Company	15	40,943	34,419
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	13,805	11,677
Sindh Sales Tax on Trustee's remuneration	9.1	1,794	1,518
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	5,020	4,078
Brokerage expense		1,830	1,218
Settlement and bank charges		24	154
Annual listing fee		25	25
Auditors' remuneration	16	626	512
Mutual fund rating fee		280	266
Printing and other expenses		67	70
<b>Total expenses</b>		<b>285,545</b>	<b>146,918</b>
<b>Net income from operating activities</b>		<b>3,987,012</b>	<b>1,982,184</b>
Reversal for Sindh Workers' Welfare Fund		-	24,063
<b>Net income for the year before taxation</b>		<b>3,987,012</b>	<b>2,006,247</b>
Taxation	17	-	-
<b>Net income for the year after taxation</b>		<b>3,987,012</b>	<b>2,006,247</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		3,987,012	2,006,247
Income already paid on units redeemed		(2,242,679)	(796,457)
		<b>1,744,333</b>	<b>1,209,790</b>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		1,744,333	1,209,790
		<b>1,744,333</b>	<b>1,209,790</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**  
***FOR THE YEAR ENDED JUNE 30, 2023***

	2023	2022
	(Rupees in '000)	
Net income for the year after taxation	3,987,012	2,006,247
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>3,987,012</u>	<u>2,006,247</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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Chief Executive Officer

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Chief Financial Officer

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Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Note	2023			2022		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
<b>Net assets at beginning of the year</b>	22,790,356	121,217	22,911,573	16,873,547	25,802	16,899,349
<b>Issuance of 2,424,051,896 units (2022: 1,123,641,401 units)</b>						
Including additional 24,388,316 (2022: 8,524,438 units) issued						
at nil value						
- Capital Value	244,707,321	-	244,707,321	113,083,271	-	113,083,271
- Element of Income	2,834,865	-	2,834,865	1,088,988	-	1,088,988
Amount received on issuance of units	247,542,186	-	247,542,186	114,172,259	-	114,172,259
<b>Redemption of 2,405,429,048 units (2022: 1,064,604,710 units)</b>						
- Capital Value	(242,828,062)	-	(242,828,062)	(107,141,818)	-	(107,141,818)
- Element of Income	(377,602)	(2,242,679)	(2,620,281)	(255,736)	(796,457)	(1,052,193)
Amount paid on redemption of units	(243,205,664)	(2,242,679)	(245,448,343)	(107,397,554)	(796,457)	(108,194,011)
<b>Total comprehensive income for the year</b>	-	3,987,012	3,987,012	-	2,006,247	2,006,247
<b>Interim distribution for the year ended 30 June 2023:</b>						
Rs. 15.885 per unit (30 June 2022: 9.52 per unit)	(2,462,000)	(1,660,789)	(4,122,789)	(857,896)	(1,114,375)	(1,972,271)
<b>Net income for the year less distribution</b>	(2,462,000)	2,326,223	(135,777)	(857,896)	891,872	33,976
<b>Net assets at end of the year</b>	24,664,878	204,762	24,869,639	22,790,356	121,217	22,911,573
<b>Undistributed income brought forward</b>						
- Realised income		121,217			25,802	
- Unrealised income		-			-	
		121,217			25,802	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		1,744,333			1,209,790	
		1,744,333			1,209,790	
<b>Interim distribution for the year ended 30 June 2023:</b>						
Rs. 15.885 per unit (30 June 2022: 9.52 per unit)		(1,660,789)			(1,114,375)	
<b>Undistributed income carried forward</b>		204,761			121,217	
<b>Undistributed income carried forward comprises of:</b>						
- Realised income		243,001			121,217	
- Unrealised income		(38,240)			-	
		204,761			121,217	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		100.95			100.64	
<b>Net assets value per unit at end of the year</b>		101.27			100.95	

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
Note	(Rupees in '000)	
Net income for the year before taxation	3,987,012	2,006,247
<b>Adjustments for:</b>		
Profit on bank deposits	(797,831)	(1,514,630)
Income from Government securities	(3,485,191)	(599,113)
Profit on Term deposit receipts	(83,477)	(46,870)
Unrealised loss on government securities	38,240	-
	(4,328,259)	(2,160,613)
<i>Increase in assets</i>		
Investments	(22,711,538)	(575,000)
Advance, deposit and other receivables	129	(89)
	(22,711,409)	(575,089)
<i>Increase in liabilities</i>		
Payable to AL Habib Asset Management Limited - Management Company	16,463	8,328
Payable to Central Depository Company of Pakistan Limited - Trustee	201	238
Payable to Securities and Exchange Commission of Pakistan (SECP)	942	2,568
Payable against Sindh Workers Welfare Fund	-	(24,063)
Payable against purchase of investment	(1,457)	-
Accrued expenses and other liabilities	29,946	41,994
	46,095	29,065
Profit on bank deposits and term deposit receipt received	1,115,856	1,411,024
Income received from Government securities	3,381,633	599,113
<b>Net cash (used in) / generated from operating activities</b>	<b>(18,509,072)</b>	<b>1,309,747</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	247,542,186	114,172,259
Payments on redemption of units	(245,448,343)	(108,194,928)
Dividend paid	(4,122,789)	(1,972,271)
<b>Net cash (used in) / generated from financing activities</b>	<b>(2,028,946)</b>	<b>4,005,060</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>(20,538,018)</b>	<b>5,314,807</b>
Cash and cash equivalents at beginning of the year	21,182,077	15,867,270
Cash and cash equivalents at end of the year	644,059	21,182,077
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	4 644,059	21,182,077

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

1.1 AL Habib Cash Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as Management Company (wholly owned subsidiary of Bank AL Habib Limited) and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 14 July 2010 and was approved by the Securities and Exchange Commission of Pakistan on 13 July 2010 under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules).

1.2 The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on 15 October 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

1.3 The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (NBFC Rules) by the SECP. The registered office of the Management Company is situated at 3rd Floor, MacKinnon's Building, I.I Chundrigar Road Karachi, Pakistan.

1.4 The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange (PSX). Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the Fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

1.5 Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company and VIS has assigned fund stability rating of 'AA (f)' to the Fund.

The Fund has been categorized as an Open-End Money Market Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan (SECP) for categorisation of Collective Investment Schemes (CIS).

1.6 The objective of the Fund is to earn competitive returns from a portfolio of low risk short term duration assets while maintaining high level of liquidity through a blend assets of money market and Government debt instruments. The Fund, in line with its investment objective, invests primarily in treasury bills, Government securities and cash and near cash instruments. The Fund has been categorized as money market scheme.

Title of the assets of the Fund are held in name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

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

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

#### 2.2 New / Revised Standards, Interpretations and Amendments

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets and provision under uncertain circumstances such as taxes recoverable and Federal Excise Duty payable on remuneration of management company as disclosed in notes 07 and 08 respectively.

**2.5 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that investments which are required to be stated at fair value.

**2.6 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand rupees.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

## 3.2 Financial assets

### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

### 3.2.2 Classification

#### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

#### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).



**3.2.5 Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Debt investments at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Debt investments at FVTPL</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Equity instruments at FVOCI</b>	<p>Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.</p> <p>Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.</p>
<b>Equity investments at FVTPL</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Debt securities (Government securities)**

The Government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**3.2.6 Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**3.2.7 Impairment of financial assets**

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

**3.3 Regular way contracts**

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

**3.4 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

**3.5 Offsetting of financial instruments**

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

**3.6 Financial liabilities**

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

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

**3.7 Unit holders' Fund**

Unit holders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

**3.8 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

**3.9 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

### 3.10 Net asset value - per unit

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

### 3.11 Taxation

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units' shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

### 3.12 Revenue recognition

- Mark-up on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on marking to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

### 3.13 Zakat Payable

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### 3.14 Expenses

All expenses including Management's fee, Trustee's fee and annual fee of SECP are recognised in the Income Statement on an accrual basis.

### 3.15 Provisions

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

### 3.16 Distribution

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

### 3.17 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the Management, determination of weighted average units for calculating EPU is not practicable.

## 4 BANK BALANCES

	Note	2023 (Rupees in '000)	2022
Savings account	4.1	<u>644,059</u>	<u>21,182,077</u>
4.1 The profit rates effective at year end on these accounts range from 18.00% to 20.50% (30 June 2022: 12.25% to 18.00%) per annum. It includes balance of Rs. 521.73 million (30 June 2022: Rs 9.28 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 20.50% (30 June 2022:12.50%) per annum.			

## 5 INVESTMENTS

	Note	2023 (Rupees in '000)	2022
<b>At amortised cost:</b>			
Term deposit receipts		-	1,575,000
<b>At fair value through profit or loss</b>			
Government Securities	5.1	<u>24,248,296</u>	<u>-</u>
		<u>24,248,296</u>	<u>1,575,000</u>

## 5.1 Government securities - Market Treasury Bills and Pakistan Investment Bond

	Face value			As at 30 June 2023			Market value as percentage of		
	As at 01 July 2022	Purchased during the year	Sold / matured during the year	As at 30 June 2023	Carrying value	Market value	Unrealised appreciation/ (diminution)	Net assets (%)	Total investments (%)
<b>Market Treasury Bills and Pakistan Investment bond</b>									
	(Rupees in '000)								
T- BILL 3 MONTHS (15-06-2023)	-	21,741,000	3,839,000	17,902,000	17,204,886	17,180,317	(24,569)	69.08%	70.85%
T- BILL 3 MONTHS (02-06-2022)	-	1,950,000	1,950,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (03-11-2022)	-	34,033,040	34,033,040	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (04-01-2023)	-	2,700,000	2,700,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (06-04-2023)	-	61,588,600	61,588,600	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (06-10-2022)	-	92,750,000	92,750,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (08-09-2022)	-	1,000,000	1,000,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (09-03-2023)	-	3,359,000	3,359,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (14-07-2022)	-	19,203,000	19,203,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (14-07-2022)	-	6,400,000	6,400,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (15-12-2022)	-	5,433,000	5,433,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (16-06-2022)	-	7,963,000	7,963,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (17-11-2022)	-	14,215,000	14,215,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (20-10-2022)	-	45,588,500	45,588,500	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (22-09-2022)	-	5,400,000	5,400,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (26-01-2023)	-	56,584,100	56,584,100	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (27-03-2023)	-	110,000	110,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (28-04-2022)	-	18,800,000	18,800,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (28-04-2022)	-	5,000,000	5,000,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (28-07-2022)	-	44,746,000	44,746,000	-	-	-	-	0.00%	0.00%
T- BILL 3 MONTHS (30-06-2022)	-	23,673,000	23,673,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (15-06-2023)	-	2,500,000	-	2,500,000	2,274,936	2,264,535	(10,401)	9.11%	9.34%
T- BILL 6 MONTHS (02-06-2022)	-	4,000,000	4,000,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (10-02-2022)	-	945,000	945,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (10-03-2022)	-	7,400,000	7,400,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (14-07-2022)	-	6,250,000	6,250,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (24-02-2022)	-	709,000	709,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (24-03-2022)	-	69,000	69,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (27-01-2022)	-	6,250,000	6,250,000	-	-	-	-	0.00%	0.00%
T- BILL 6 MONTHS (28-07-2022)	-	873,110	873,110	-	-	-	-	0.00%	0.00%
PIB 02 Year Quarterly (26-08-2021) - Fortnightly	-	53,750	5,600	48,150	4,806,714	4,803,444	(3,270)	19.31%	19.81%
<b>Total as at 30 June 2023</b>					<u>24,286,536</u>	<u>24,248,296</u>	<u>(38,240)</u>		
<b>Total as at 30 June 2022</b>					-	-	-		

5.1.1 Rate of return on above Treasury Bills ranged from 15.00% to 22.05% (2022: 7.07% to 15.07%) per annum.

5.1.2 Profit on Pakistan Investment bond is 21.99% per annum.

## **6 PROFIT RECEIVABLE**

		<b>2023</b>	<b>2022</b>
	<b>Note</b>	<b>(Rupees in '000)</b>	
Profit receivable on savings accounts		<b>333</b>	213,392
Profit receivable on term deposit receipt		-	21,489
Profit receivable on government securities		<b>103,558</b>	-
		<b>103,891</b>	<b>234,881</b>

## **7 ADVANCES, DEPOSITS AND OTHER RECEIVABLES**

Mutual fund rating fee		-	146
Security deposit		<b>100</b>	100
Advance tax	7.1	<b>1,139</b>	1,122
		<b>1,239</b>	<b>1,368</b>

### **7.1 Advance tax**

The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

## **8 PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY**

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 1 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan (SCP), which is pending for decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 13.42 million. Had the provision on FED not been made, Net Asset Value per unit of the Fund as at 30 June 2023 would have been higher by Rs. 0.055 per unit (30 June 2022: Rs. 0.06 per unit).

**9 PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee is fixed at 0.065% (30 June 2022: 0.065%) per annum, however from October 01, 2021 Trustee Revised remuneration from 0.065% to 0.055% per annum of net assets.

**9.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the trustee's remuneration during the year.

**10 ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% of net assets (30 June 2022: 0.02% of net assets) in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated 28 June 2019.

	2023	2022
	(Rupees in '000)	
<b>11 ACCRUED EXPENSES AND OTHER LIABILITIES</b>		
Auditors' remuneration	601	334
Printing charges	142	77
Withholding and capital gain tax	74,637	46,536
Settlement charges	7	1
Brokerage	1,777	404
Other payable	2,561	2,429
	<b>79,725</b>	<b>49,781</b>

**12 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

**13 PROFIT ON BANK DEPOSITS**

	Note	2023	2022
		(Rupees in '000)	
Profit on savings account	13.1	<b>797,831</b>	<b>1,514,630</b>

**13.1** This includes profit on bank deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. 466.42 million (30 June 2022: Rs. 13.817 million).

**14 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the Fund. The Management has charged its remuneration at rate ranging from 0% to 10% (30 June 2022: 0% to 10%) of the gross earnings of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

**14.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Management Company's remuneration during the year.

**15 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged Rs. 40.942 Million to the fund (30 June 2022: 34.419 million).

**16 AUDITORS' REMUNERATION**

	2023	2022
	(Rupees in '000)	
Annual audit fee	381	303
Half yearly review fee	177	164
Out of pocket expenses	68	45
	<u>626</u>	<u>512</u>

**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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than 90% of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2023.

**18 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	Receivable against issuance of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at 01 July 2022	-	1,461	1,461
Receivable against issuance of units	247,542,186	-	247,542,186
Payable against redemption of units	-	(245,448,343)	(245,448,343)
	247,542,186	(245,448,343)	2,093,844
Amount received on issuance of units	(247,542,186)	-	(247,542,186)
Amount paid on redemption of units	-	245,449,800	245,449,800
	(247,542,186)	245,449,800	(2,092,386)
Closing balance as at 30 June 2023	-	4	4

**19 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include:

S.No	Company Name	Relationship
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	Al Habib Capital Market (Private) Limited	Subsidiary of Bank AL Habib Limited
4	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Islamic Saving Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties include directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above related parties.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.



## 19.1 Details of the transactions with connected persons / related parties are as follows:

Details of the transactions with connected persons are as follows:

**AL Habib Asset Management Limited - Management Company**

	2023	2022
	(Rupees in '000)	
- Management remuneration	195,691	82,285
- Sindh Sales Tax on Management remuneration	25,440	10,696
- Expenses allocated by the Management Company	40,943	34,419

**Central Depository Company of Pakistan Limited - Trustee**

- Trustee remuneration	13,805	11,677
- Sindh Sales Tax on Trustee remuneration	1,794	1,518

**Bank AL Habib Limited**

- Dividend Paid	529,093	386,223
- Profit on bank deposits	466,417	13,818

Details of balances with connected persons at year end are as follows:

**Bank AL Habib Limited**

- Bank balances	533,020	9,277
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**AL Habib Asset Management Limited - Management Company**

- Management remuneration payable (inclusive of sales tax)	28,404	11,941
- FED on Management remuneration payable	13,417	13,417

**Central Depository Company of Pakistan Limited - Trustee**

Trustee Fee payable (inclusive of sales tax)	1,276	1,075
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## 19.2 Sale / Redemption of units

	2023		2022	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units sold to:</b>				
<i>Management Company</i>				
AL Habib Asset Management Limited	6,890,955	697,090	22,487,483	2,270,717
Habib Asset Management Limited Employees Provident Fund	128,260	13,043	12,258	1,237
<i>Parent Company</i>				
Bank AL Habib Limited	-	-	76,013,816	7,708,830
<b>Other related parties</b>				
- Directors & their relative of the management Company	19,868,827	2,017,197	329,876,192	33,438,164
- Habib Insurance Company Limited - Employees Provident Fund	205,544	21,007	-	-
- Habib Sugar Mills Limited	28,067,330	2,880,650	-	-
- Husaini Haematology & Oncology Trust	20,742	2,463	-	-
- Key management executive of the management Company	101,599	10,329	6,850	708
- Atco Pharma International Private Limited	-	-	500,718	50,471
<i>Connected Persons holding 10% or more of the units in issue</i>	-	-	-	-
<b>Units redeemed by:</b>				
<i>Management Company</i>				
AL Habib Asset Management Limited	6,891,106	698,705	28,293,072	2,855,940
Habib Asset Management Limited Employees Provident Fund	161,183	16,500	41,699	4,200
<i>Parent Company</i>				
Bank AL Habib Limited	19,884,965	2,010,998	62,130,825	6,292,261



## 20 RISK MANAGEMENT

The Fund has exposure to following risks from its use of financial instruments:

- This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, NBFC Rules and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

## 20.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from bank balances, income receivables and deposits etc.

### Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

### Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	2023		2022	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	644,059	644,059	21,182,077	21,182,077
Investments	24,248,296	24,248,296	1,575,000	1,575,000
Profit receivable	103,891	103,891	234,881	234,881
Advances, deposits and other receivables	1,239	100	1,368	100
	<b>24,997,485</b>	<b>24,996,346</b>	<b>22,993,326</b>	<b>22,992,058</b>

### Credit ratings and Collaterals

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

Ratings	2023	2022
	(Percentage)	
AA+ to AA	17.28%	17.92%
AAA	82.72%	82.08%
	<b>100.00%</b>	<b>100.00%</b>

Cash is held only with reputable banks with high quality external credit enhancements.

### Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit risk worthy counterparties thereby mitigating any significant concentration of credit risk.

### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at 30 June 2023.

**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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

**20.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

**Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

**Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

	2023			
	Carrying amount	Less than one month	One month to three months	Three months to one year
	(Rupees in '000)			
<b>Non - derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	28,404	28,404	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,276	1,276	-	-
Payable against redemption of units	4	4	-	-
Accrued expenses and other liabilities	5,088	2,710	2,378	-
	<b>34,772</b>	<b>32,394</b>	<b>2,378</b>	<b>-</b>
Unit holders' Fund	<b>24,869,639</b>	<b>24,869,639</b>	<b>-</b>	<b>-</b>

	2022			
	Carrying amount	Less than one month	One month to three months	Three months to one year
<b>Non - derivative financial liabilities</b>	<b>(Rupees in '000)</b>			
Payable to AL Habib Asset Management Limited - Management Company	11,941	11,941	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,075	1,075	-	-
Payable against redemption of units	1,461	1,461	-	-
Accrued expenses and other liabilities	3,245	2,507	738	-
	17,722	16,984	738	-
Unit holders' Fund	22,911,573	22,911,573	-	-

### 20.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### Management of Market Risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate risk only.

#### 20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities and savings bank accounts. Currently the exposure in fixed rate instruments is in Government securities, commercial papers and placements. Other risk management procedures are the same as those mentioned in the credit risk management.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023	2022
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Investments	24,248,296	1,575,000
<b>Variable rate instruments</b>		
Bank balances	644,059	21,182,077

None of the financial liabilities carry any interest rate risk.

#### a) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs. 6.44 million (30 June 2022: Rs. 211.82 million), assuming all other variables held constant.

#### b) Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2023, investment in Government Securities exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2023, the net assets of the Fund would have been lower/ higher by Rs. 242.483 million (2022: 15.750 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		2023					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
----- (Rupees in '000) -----							
<i>Assets</i>							
Bank balances	18.00%-20.50%	644,059	-	-	-		644,059
Investments	15.00%-22.05%	-	21,983,761	2,264,535	-		24,248,296
Profit receivable		-	-	-	-	103,891	103,891
Advances, deposits and other receivables		-	-	-	-	100	- 100
<b>Total assets</b>		<b>644,059</b>	<b>21,983,761</b>	<b>2,264,535</b>	<b>-</b>	<b>103,991</b>	<b>24,996,346</b>
		2022					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
----- (Rupees in '000) -----							
<i>Assets</i>							
Bank balances	12.00%-18.00%	21,182,077	-	-	-		21,182,077
Investments	16.60%	1,575,000	1,575,000	-	-		1,575,000
Profit receivable		-	-	-	-	234,881	234,881
Advances, deposits and other receivables		-	-	-	-	100	100
<b>Total assets</b>		<b>22,757,077</b>	<b>1,575,000</b>	<b>-</b>	<b>-</b>	<b>234,981</b>	<b>22,992,058</b>

None of the Fund's liabilities are subject to interest rate risk.

#### 20.4 Unit Holders' Fund risk management

Management's objective when managing Unit holders' Fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders and to ensure reasonable safety of Unit holders' Fund. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

#### 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2023		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
<b>Financial assets - not measured at fair value</b>	21.1								
Bank balances	4	-	644,059	-	644,059	-	-	-	-
Investments	5	24,248,296	-	-	24,248,296	-	-	-	-
Profit receivable	6	-	103,891	-	103,891	-	-	-	-
Advances, deposits and other receivables	7	-	100	-	100	-	-	-	-
		<u>24,248,296</u>	<u>748,050</u>	<u>-</u>	<u>24,996,346</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities - not measured at fair value</b>	21.1								
Payable to AL Habib Asset Management Limited - Management Company	14	-	-	28,404	28,404	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	13,417	13,417	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	1,276	1,276	-	-	-	-
Payable against redemption of units		-	-	4	4	-	-	-	-
Accrued expenses and other liabilities	11	-	-	5,088	5,088	-	-	-	-
		<u>-</u>	<u>-</u>	<u>48,189</u>	<u>48,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
30 June 2022		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
<b>Financial assets - not measured at fair value</b>	21.1								
Bank balances	4	-	21,182,077	-	21,182,077	-	-	-	-
Investments	5	-	1,575,000	-	1,575,000	-	-	-	-
Profit receivable	6	-	234,881	-	234,881	-	-	-	-
Advances, deposits and other receivables	7	-	100	-	100	-	-	-	-
		<u>-</u>	<u>22,992,058</u>	<u>-</u>	<u>22,992,058</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities - not measured at fair value</b>	21.1								
Payable to AL Habib Asset Management Limited - Management Company	14	-	-	11,941	11,941	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	13,417	13,417	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	1,075	1,075	-	-	-	-
Payable against redemption of units		-	-	1,461	1,461	-	-	-	-
Accrued expenses and other liabilities	11	-	-	3,245	3,245	-	-	-	-
		<u>-</u>	<u>-</u>	<u>31,139</u>	<u>31,139</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

## AL HABIB CASH FUND

21.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 22 PATTERN OF UNITHOLDING

Unit holding pattern of the Fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount  (Rupees in '000)	Percentage of total investment
Individuals	1086	131,736,198	13,341,227	53.64%
Associated Companies and Directors	32	63,145,339	6,394,873	25.72%
Insurance Companies	-	-	-	0.00%
Retirement Funds	-	-	-	0.00%
Others	86	50,690,444	5,133,537	20.64%
	<b>1,204</b>	<b>245,571,981</b>	<b>24,869,637</b>	<b>100.00%</b>

Unit holding pattern of the Fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount  (Rupees in '000)	Percentage of total investment
Individuals	815	68,581,545	6,923,646	30.22%
Associated Companies and Directors	1	53,192,240	5,369,757	23.44%
Insurance Companies	5	5,398,475	544,976	2.38%
Retirement Funds	21	16,676,503	1,683,493	7.35%
Others	62	83,107,485	8,389,701	36.62%
	<b>904</b>	<b>226,956,248</b>	<b>22,911,572</b>	<b>100.00%</b>

## 23 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2023		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	644,059	-	644,059
Investments	-	24,248,296	24,248,296
Profit receivable	103,891	-	103,891
Advances, deposits and other receivables	100	-	100
	<b>748,050</b>	<b>24,248,296</b>	<b>24,996,346</b>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	28,404	-	28,404
Payable to Central Depository Company of Pakistan Limited - Trustee	1,276	-	1,276
Payable against redemption of units	4	-	4
Accrued expenses and other liabilities	5,088	-	5,088
	<b>34,772</b>	<b>-</b>	<b>34,772</b>

30 June 2022			
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	21,182,077	-	21,182,077
Investments	1,575,000	-	1,575,000
Profit receivable	234,881	-	234,881
Advances, deposits and other receivables	100	-	100
	<u>22,992,058</u>	<u>-</u>	<u>22,992,058</u>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	11,941	-	11,941
Payable to Central Depository Company of Pakistan Limited - Trustee	-	-	-
	1,075	-	1,075
Payable against redemption of units	1,461	-	1,461
Accrued expenses and other liabilities	3,245	-	3,245
	<u>17,722</u>	<u>-</u>	<u>17,722</u>

#### 24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2023	2022
	(Percentage)	
<b>Broker name</b>		
Invest One Markets Limited	34.44%	29.86%
Optimus Market (Pvt) Limited	30.55%	22.52%
Arif Habib Limited	15.86%	3.34%
BMA Capital Market Limited	13.35%	25.37%
BIPL Securities Limited	5.74%	5.52%
Contienental Exchange (Pvt) Limited	0.00%	7.59%
Magenta Capital (Pvt) Limited	0.00%	2.25%
JS Global Capital Limited	0.06%	1.90%
Summit Capital (Pvt) Limited	0.00%	1.45%
Icon Securities (Pvt) Limited	0.00%	0.20%
	<u>100.00%</u>	<u>100.00%</u>

#### 25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasanani	Chief Operating Officer & Company Secretary	CA-Affiliate	23
Mr. Ahmed Abbas	Fund Manager	MBA	15
Mr. Muhammad Tahir	Risk Officer	BBA	6



## AL HABIB CASH FUND

25.1 Mr. Ahmed Abbas is also Fund Manager of AL Habib Income Fund, AL Habib Islamic Income Fund, AL Habib Money Market Fund, AL Habib Islamic Cash Fund, AL Habib Islamic Savings Fund, AL Habib Fixed Return Fund and AL Habib Islamic Munafa Fund.

### 26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave Granted	
Mr. Abbas D.Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	3	1	96th Meeting
Mr. Imran Azim	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi	4	4	0	-

### 27 TOTAL EXPENSE RATIO (TER)

TER of the Fund for the year ended 30 June 2023 is 1.13% which include 0.13% representing government levies and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

### 28 GENERAL

#### 28.1 Corresponding figures

28.1.1 Corresponding figures have been reclassified and re-arranged in these financial statements, whenever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

#### 28.2 Date of authorisation for issue

These financial statements were authorised for issue by the Board of Directors of the Management Company on 17 August, 2023.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Fund Objective

The investment objective of AHCF is to provide its unit holders optimum returns from a portfolio of low risk and short duration assets while maintaining high liquidity.

Fund Objective Achieved:

The Fund has achieved its stated objective.

### Performance Review:

The return of the fund for FY23 was 17.28%.

### Strategies and Policies Employed during the period under review:

The AHCF maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Fund, wherein major portion of investment was held with "AAA" rated Banks and short tenor T-bills.

### Fund Description

<b>Fund Type &amp; Category</b>	Open End - Money Market Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	March 10, 2011	<b>Management Fee</b>	Up to 10% of the gross earnings of the Scheme
<b>Benchmark</b>	70% three (3) months PKRV rates + 30% three (3) months average deposit rate of three (3) AA rated Scheduled banks as selected by MUFAP.	<b>Sales Load</b>	3% (Management has the discretion to reduce or waive load on any transaction)
<b>Pricing Mechanism</b>	Backward Pricing	<b>Minimum Investment</b>	Rs. 5,000
<b>Risk Profile</b>	Very Low (Principal at very low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Fund Stability Rating</b>	AA+(f) by VIS
<b>Trustee</b>	Central Depository Company of Pakistan Limited.		

### Market Review:

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

**AL HABIB CASH FUND**

<b>PKRV Rates</b>			
<b>Tenor</b>	<b>As at June 30, 2023</b>	<b>As at June 30, 2022</b>	<b>Change</b>
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63
3 Years	19.47	13.45	6.02
5 Years	16.08	12.93	3.15

<b>Policy Rate</b>		
<b>Date</b>	<b>Policy Rate</b>	<b>Change (Bps)</b>
July 13, 2022	15	125
November 28, 2022	16	100
January 24, 2023	17	100
March 3, 2023	20	300
April 5, 2023	21	100
June 27, 2023	22	100

**Asset Allocation of Fund**

<b>Particulars</b>	<b>As at June 30, 2023</b>	<b>As at June 30, 2022</b>
Cash	2.53%	92.12%
T-Bills	77.82%	-
PIBs	19.22%	-
TDR	-	6.85%
Others	0.43%	1.03%

**Breakdown of Unit Holdings by Size:**

<b>Size of Unit Holding (Units)</b>	<b># of Unit Holders</b>
1-1000	434
1001-10000	230
10001-50000	204
50001-100000	66
100001-100000000	181
<b>Total</b>	<b>1115</b>

**Income Distribution**

AHCF made a total distribution of Rs. 15.885 during FY23 in the form of dividend, the detail of which are given below:

<b>Month</b>	<b>Cum NAV Rs.</b>	<b>EX-NAV Rs.</b>	<b>Distribution Rs.</b>
Sep-22	103.5873	100.9515	2.6358
Oct-22	102.4130	100.9515	1.4615
Nov-22	101.9701	100.9515	1.0186
Dec-22	102.0215	100.9515	1.0700
Jan-23	102.4396	100.9515	1.4881
Jan-23	101.5075	100.9515	0.5560
Feb-23	101.8604	100.9515	0.9089
Mar-23	102.0035	100.9515	1.0520
Apr-23	102.3554	100.9515	1.4039
May-23	102.5173	100.9515	1.5658
June-23	102.5101	100.9515	1.5586
June-23	102.1175	100.9515	1.1660

**During the period under question:**

There has been no significant change in the state of affairs of the Fund. AL Habib Cash Fund does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During the year, 4,833,175,754 units valued Rs. 493.53 Bn. were sold, while 2,407,280,008 units valued Rs. 245.85 Bn. were redeemed, resulting in to a net sale of 2,425,895,746 units valued Rs. 247.68 Bn.

**Unit Holders Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

**AHCF Performance at a Glance**

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	24.87	22.91
NAV per unit as at June 30 (Rs. )	101.2723	100.9515
Distribution during the year ended June 30 (Rs. )	15.885	9.50
Annual Return	17.28%	10.17%
Benchmark	17.01%	9.30%

**Disclosure:**

There are no material circumstances affecting unit holder interests.

**AL HABIB MONEY MARKET FUND**  
**Annual Report**  
For the year ended June 30, 2023

## FUND'S INFORMATION

### Management Company

AL Habib Asset Management Limited

### Board of Directors of the Management Company

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

### Chief Financial Officer

Mr. Abbas Qurban

### Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasnani

### Audit Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

### Human Resource Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

### Auditors

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

### Legal Advisor

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4,  
Block 9, Kehkashan, Clifton, Karachi.

### Trustee

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S,  
Main Shakra-e-Faisal, Karachi.

### Rating

AA+ (f) Fund Stability Rating by VIS  
AM2+ Management Company Quality  
Rating Assigned by PACRA.

### Bankers to the Fund

Bank AL Habib Limited  
Allied Bank Limited  
Habib Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB MONEY MARKET FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 AL Habib Money Market Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023







EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## **INDEPENDENT AUDITORS' REPORT**

**To the Unit holders of AL Habib Money Market Fund**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **AL Habib Money Market Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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



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Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Debt Instruments</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of debt investments which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement and valuations on the basis of prices determined by Mutual Funds Association of Pakistan (MUFAP).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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-3:-

### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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-:4:-

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

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

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

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

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

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

**Chartered Accountants**

**Date:** 28 September 2023

**Karachi**

**UDIN Number:** AR2023101911UaHjmKNe

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**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances	4	34,601	3,039,077
Investments	5	8,219,654	-
Profit receivable on bank deposits		2,362	42,844
Preliminary expenses and floatation costs	6	593	663
Other Assets		6	-
<b>Total assets</b>		<b>8,257,216</b>	<b>3,082,584</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	10	8,369	2,385
Payable to Central Depository Company of Pakistan Limited - Trustee	12	344	167
Payable to Securities and Exchange Commission of Pakistan (SECP)	13	939	271
Accrued expenses and other liabilities	7	10,150	3,858
<b>Total liabilities</b>		<b>19,802</b>	<b>6,681</b>
<b>Net assets</b>		<b>8,237,414</b>	<b>3,075,903</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>8,237,414</b>	<b>3,075,903</b>
<b>Contingencies and Commitments</b>			
	8	<b>(Number of Units)</b>	
<b>Number of units in issue (face value of units is Rs. 100 each) - Growth Units</b>		<b>82,374,135</b>	<b>30,759,028</b>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>		<b>100.00</b>	<b>100.00</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	For the period from 20 December 2021 to 30 June 2022
	Note	(Rupees in '000)	(Rupees in '000)
<b>Income</b>			
Profit on bank deposits	9	146,055	107,820
Markup on government securities - Market Treasury Bills		719,033	66,965
Net (loss) / gain on investments classified at fair value through profit or loss			
- Loss on sale of government securities - Market Treasury Bills		(9,676)	(8,388)
- Unrealised Loss on government securities - Market Treasury Bills	5.1	(12,861)	-
		(22,537)	(8,388)
<b>Total income</b>		<b>842,551</b>	<b>166,397</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	10	38,599	3,353
Sindh sales tax on Management Company's remuneration	10.1	5,018	436
Expenses allocated by the Management Company	11	7,090	2,379
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	2,557	746
Sindh sales tax on Trustee remuneration	12.1	332	97
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	13	939	271
Auditors' remuneration	14	337	294
Brokerage expenses		297	97
Annual listing fee		26	50
Other Expenses		187	14
Settlement and Bank Charges		12	18
Amortization of preliminary expenses and floatation costs	6	70	35
<b>Total expenses</b>		<b>55,464</b>	<b>7,790</b>
<b>Net income for the year before taxation</b>		<b>787,087</b>	<b>158,607</b>
Taxation	15	-	-
<b>Net income for the year after taxation</b>		<b>787,087</b>	<b>158,607</b>
<b>Allocation of net income for the year after taxation:</b>			
Net income for the year		787,087	158,607
Income already paid on units redeemed		-	-
		<b>787,087</b>	<b>158,607</b>
<b>Accounting income available for distribution:</b>			
Relating to capital gains		-	-
Excluding capital gains		787,087	158,607
		<b>787,087</b>	<b>158,607</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	For the period from 20 December 2021 to 30 June 2022
	(Rupees in '000)	(Rupees in '000)
<b>Net income for the year after taxation</b>	<b>787,087</b>	<b>158,607</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>787,087</b>	<b>158,607</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023			For the period from 20 December 2021 to 30 June 2022		
	Capital Value	Undistributed income	Net Asset	Capital Value	Undistributed income	Net Asset
Note	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	3,075,903	-	3,075,903	-	-	-
<b>Issuance of 219,517,429 units (30 June 2022: 95,727,760 units) *</b>						
- Capital value	21,951,743	-	21,951,743	9,572,776	-	9,572,776
- Element of income	-	-	-	-	-	-
Amount received on issuance of units	21,951,743	-	21,951,743	9,572,776	-	9,572,776
<b>Redemption of 167,902,321 units (30 June 2022: 64,968,733 units)</b>						
- Capital value	(16,790,232)	-	(16,790,232)	(6,496,873)	-	(6,496,873)
- Element of income	-	-	-	-	-	-
Amount paid on redemption of units	(16,790,232)	-	(16,790,232)	(6,496,873)	-	(6,496,873)
Total comprehensive income for the year	-	787,087	787,087	-	158,607	158,607
Cash distribution for the year ended 30 June 2023: Rs. 15.9347 (30 June 2022: 6.0020) per unit *	1.8 -	(787,087)	(787,087)	-	(158,607)	(158,607)
	-	-	-	-	-	-
<b>Net assets at the end of the year</b>	<b>8,237,414</b>	<b>-</b>	<b>8,237,414</b>	<b>3,075,903</b>	<b>-</b>	<b>3,075,903</b>
<b>Undistributed income brought forward</b>						
- Realised income		-			-	
- Unrealised income		-			-	
		-			-	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		787,087			158,607	
		787,087			158,607	
Cash distribution for the year ended 30 June 2023: Rs. 15.9347 (30 June 2022: 6.0020) per unit *		(787,087)			(158,607)	
Undistributed income carried forward		-			-	
<b>Undistributed income carried forward</b>						
- Realised income		-			-	
- Unrealised income		-			-	
		-			-	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		100.00			-	
Net assets value per unit at end of the year		100.00			100.00	

\* During the year all the units issued by the Fund are Growth units and dividend on these units have been reinvested on daily basis. (Please refer note 1.7)

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		For the period from 20 December 2021 to 30 June 2022
	2023	
Note	(Rupees in '000)	(Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the year before taxation	787,087	158,607
<b>Adjustments for:</b>		
Profit on bank deposits	(146,055)	(107,820)
Markup on government securities - Market Treasury Bills	(719,033)	(66,965)
Amortization of preliminary expenses and floatation costs	70	35
Unrealised Loss on government securities - Market Treasury Bills	12,861	-
	(65,070)	(16,143)
<i>Increase in assets</i>		
Investments	(8,232,515)	-
Preliminary expenses and floatation costs	-	(698)
Other receivable	(6)	-
	(8,232,521)	(698)
<i>Increase in liabilities</i>		
Payable to AL Habib Asset Management Limited - Management Company	5,984	2,385
Payable to Central Depository Company of Pakistan Limited - Trustee	177	167
Payable to Securities and Exchange Commission of Pakistan	668	271
Accrued expenses and other liabilities	6,292	3,858
	13,121	6,681
Profit on bank deposits received	186,537	64,976
Markup on government securities - Market Treasury Bills received	719,033	66,965
<b>Net cash (used in) / generated from operating activities</b>	<b>(7,378,900)</b>	<b>121,781</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Proceeds from issuance of units	21,951,743	9,572,776
Payments against redemption of units	(16,790,232)	(6,496,873)
Dividend paid during the year	(787,087)	(158,607)
<b>Net cash generated from financing activities</b>	<b>4,374,424</b>	<b>2,917,296</b>
<b>Net increase in cash and cash equivalents during the year</b>	<b>(3,004,476)</b>	<b>3,039,077</b>
Cash and cash equivalents at beginning of the year	3,039,077	-
Cash and cash equivalents at the end of the year	<b>34,601</b>	<b>3,039,077</b>
<b>Cash and cash equivalents comprise of :</b>		
Bank balances	4	34,601
		3,039,077
		<b>34,601</b>
		<b>3,039,077</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** AL Habib Money Market Fund ("the Fund") was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 27 September 2021 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 31 May 2021 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the management company is situated at 3rd floor, MacKinnon's Building, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3** The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.
- 1.4** The Investment objective of AL Habib Money Market Fund is to provided its unit-holders optimum return from a portfolio of low risk and short duration assets while being highly liquid.
- 1.5** The Fund has been categorized as an Open-End Money Market Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as a trustee of the Fund.
- Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company on 15 September 2021.
- 1.7** As per the offering document of the Fund, an investor shall, at the time of opening an account, select the types of units in which the investor wishes to invest, i.e. Growth Unit. Furthermore, at the time of dividend distribution the unit holders receive additional units or cash dividend against Growth unit, respectively.

During the year all the units issued by the Fund are Growth units and dividend has been reinvested on daily basis.

- 1.8** As per the offering document of the Fund, the Management Company may decide to distribute all net profit (after deducting all expenses of the Fund) on a periodic basis (that is Daily, Weekly, Monthly, Quarterly and Yearly) as dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its net accounting income available for distribution for the year derived from sources other than capital gains, to the unitholders. During the year, the management has distributed all the net income earned by the Fund as Dividend to the unit holders which has been reinvested on daily basis.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**2.2 New / Revised Standards, Interpretations and Amendments**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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.

**2.4 Critical accounting estimates and judgements**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

**2.5 Basis of measurement**

These financial information has been prepared under the historical cost convention except that investments which are required to be stated at fair value.

**2.6 Functional and presentation currency**

These financial information is presented in Pakistani Rupees, which is the Fund's functional and presentation currency. All amounts have been rounded to the nearest thousand rupees, unless stated otherwise.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

#### 3.2.2 Classification

##### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

##### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

#### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### 3.2.5 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Debt Instruments at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.'
<b>Debt investments at FVTPL</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Equity instruments at FVOCI</b>	<p>Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.</p> <p>Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.</p>
<b>Equity investments at FVTPL</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Debt securities (Government securities)**

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

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

### 3.2.6 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 3.2.7 Impairment of financial assets

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

### 3.2.8 Regular way contracts

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

### 3.2.9 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset."

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### 3.2.10 Offsetting of financial instruments

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

### 3.3 Financial liabilities

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

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

### 3.4 Unit holders' fund

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

### 3.5 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) prevailing on close of business hours on that day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

### 3.6 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.



**3.7 Net asset value - per unit**

The net asset value per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

**3.8 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. During the year, the management has distributed all the net income earned by the Fund as Dividend to the unit holders which has been reinvested on daily basis. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

**3.9 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

**3.10 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

**3.11 Expenses**

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the income statement on an accrual basis.

**3.12 Provisions**

Provisions are recognized in the Statement of Assets and Liabilities 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 obligation can be made. Provisions are regularly reviewed at each balance sheet date and are adjusted to reflect the current best estimate.

**3.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of ten years commencing from 20 December 2021 as per the Trust Deed of the Fund.

**3.14 Distribution**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

## AL HABIB MONEY MARKET FUND

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

### 3.15 Earnings per unit (EPU)

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

## 4 BANK BALANCES

	Note	2023 (Rupees in '000)	2022
Saving accounts	4.1	<u>34,601</u>	<u>3,039,077</u>

4.1 The profit rates effective at year end on these accounts range from 18.00% to 20.50% (30 June 2022: 12.50% to 16.50%) per annum.

4.1.1 It includes balance of Rs. 31.31 million (30 June 2022: Rs 0.93 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 20.50% (30 June 2022: 12.50%) per annum.

## 5 INVESTMENTS

	Note	2023 (Rupees in '000)	2022
<b>At fair value through profit or loss</b>			
Government Securities	5.1	<u>8,219,654</u>	<u>-</u>
		<u>8,219,654</u>	<u>-</u>

### 5.1 Government securities - Market Treasury Bills

Issue date	Face Value			As at 30 June 2023				Market Value as a Percentage of	
	As at 01 July 2022	Purchased during the year	Sold / Matured during the year	As at 30 June 2023	Carrying value	Market value	Unrealised loss	Net assets	Total investments
(Rupees in '000)									
<b>Treasury bills - 3 months</b>									
28-Apr-22	-	3,250,000	3,250,000	-	-	-	-	0.00%	0.00%
2-Jun-2022	-	475,000	475,000	-	-	-	-	0.00%	0.00%
16-Jun-2022	-	1,691,000	1,691,000	-	-	-	-	0.00%	0.00%
30-Jun-2022	-	5,273,000	5,273,000	-	-	-	-	0.00%	0.00%
14-Jul-2022	-	2,500,000	2,500,000	-	-	-	-	0.00%	0.00%
28-Jul-2022	-	6,291,000	6,291,000	-	-	-	-	0.00%	0.00%
25-Aug-2022	-	410,000	410,000	-	-	-	-	0.00%	0.00%
8-Sep-2022	-	300,000	300,000	-	-	-	-	0.00%	0.00%
22-Sep-2022	-	848,000	848,000	-	-	-	-	0.00%	0.00%
6-Oct-2022	-	6,880,000	6,880,000	-	-	-	-	0.00%	0.00%
20-Oct-2022	-	13,913,100	13,913,100	-	-	-	-	0.00%	0.00%
3-Nov-2022	-	4,496,540	4,496,540	-	-	-	-	0.00%	0.00%
17-Nov-2022	-	1,755,000	1,755,000	-	-	-	-	0.00%	0.00%
15-Dec-2022	-	796,000	796,000	-	-	-	-	0.00%	0.00%
4-Jan-2023	-	8,386,070	8,386,070	-	-	-	-	0.00%	0.00%
26-Jan-2023	-	9,704,000	9,704,000	-	-	-	-	0.00%	0.00%
9-Mar-2023	-	300,000	300,000	-	-	-	-	0.00%	0.00%
6-Apr-2023	-	14,041,500	14,041,500	-	-	-	-	0.00%	0.00%
20-Apr-2023	-	120,500	120,500	-	-	-	-	0.00%	0.00%
15-Jun-2023	-	9,366,000	1,273,000	8,093,000	7,777,536	7,766,747	(10,789)	94.06%	94.49%
<b>Treasury bills - 6 months</b>									
10-Feb-2022	-	483,000	483,000	-	-	-	-	0.00%	0.00%
24-Feb-2022	-	125,000	125,000	-	-	-	-	0.00%	0.00%
10-Mar-2022	-	1,195,000	1,195,000	-	-	-	-	0.00%	0.00%
2-Jun-2022	-	150,000	150,000	-	-	-	-	0.00%	0.00%
15-Jun-2023	-	500,000	-	500,000	454,979	452,907	(2,072)	5.48%	5.51%
14-Jul-2022	-	3,750,000	3,750,000	-	-	-	-	0.00%	0.00%
<b>Total as at 30 June 2023</b>					<u>8,232,515</u>	<u>8,219,654</u>	<u>(12,861)</u>		
Total as at 30 June 2022					-	-	-		

5.1.1 Rate of return on above treasury bills ranged from 13.98% to 21.99% per annum.

	Note	2023 (Rupees in '000)	2022
<b>6 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs incurred	6.1	663	698
Amortization for the year		(70)	(35)
Balance as at 30 June 2023		<u>593</u>	<u>663</u>

6.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of ten years effective from 20 December 2021.

		2023 (Rupees in '000)	2022
<b>7 ACCRUED EXPENSES AND OTHER LIABILITIES</b>			
Auditors' remuneration		324	192
Withholding tax		8,751	2,979
Formation cost		615	615
Brokerage		307	72
Listing fee		64	-
Rating fee		89	-
		<u>10,150</u>	<u>3,858</u>

**8 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

		2023 (Rupees in '000)	2022
<b>9 PROFIT ON BANK DEPOSITS</b>			
Saving accounts	9.1	<u>146,055</u>	<u>107,820</u>

9.1 This includes profit on bank deposits with Bank AL Habib Limited, a related party (ultimate parent) of Rs. 117 million (2022: Rs. 29.194 million).

**10 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (I) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the Fund. The Management has charged its remuneration at rate ranging from 0% to 10% (30 June 2022: from 0% to 10%) of the gross earnings of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

10.1 Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the management company's remuneration charged during the year.

**11 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged 7.09 million (30 June 2022: 2.38 million) to the Fund.

**12 PAYABLE / REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee is fixed at 0.055% (30 June 2022: 0.055%) per annum of net assets.

12.1 Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Trustee's remuneration charged during the year.

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% of net assets in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated 28 June 2019.

	2023 (Rupees in '000)	2022
<b>14 AUDITOR'S REMUNERATION</b>		
Audit fee	206	172
Out of pocket expenses	36	17
Half yearly review fee	95	96
Certification	-	9
	<u>337</u>	<u>294</u>

**15 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, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly, no provision for taxation has been made in these financial statements.

**16 EARNINGS PER UNIT**

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

**17 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES**

Connected persons / related parties include:

S.No	Company Name	Relationship
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	AL Habib Capital Markets (Private) Ltd.	Subsidiary of Bank AL Habib Limited
4	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Islamic Savings Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties includes directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.

Details of the transactions with connected persons / related parties are as follows:

	2023	For the period from 20 December 2021 to 30 June 2022
	(Rupees in '000)	(Rupees in '000)
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management company remuneration	38,599	3,353
- Sindh sales tax	5,018	436
- Expenses allocated by the Management Company	7,090	2,379
- Dividend paid	16,430	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration to the Trustee	2,557	746
- Sindh sales tax	332	97
<b>Bank AL Habib Limited</b>		
- Profit on Bank deposit	117,168	29,194
- Dividend paid	96,465	-

Details of balances with connected persons / related parties at year end are as follows:

	2023	For the period from 20 December 2021 to 30 June 2022
	(Rupees in '000)	(Rupees in '000)
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management Company payable (Inclusive of Sindh sales tax)	8,369	2,385
- Formation cost payable	585	585
- Initial deposit payable	30	30
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable (Inclusive of Sindh sales tax)	344	167
<b>Bank AL Habib Limited</b>		
- Bank Balance	42,611	933
- Bank Profit receivable	139	451

#### 17.1 Sale / Redemption of units

<u>Units sold to:</u>	30 June 2023		30 June 2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
AL Habib Asset Management Limited	7,089,007	711,365	13,884,691	1,390,691
<b>Parent of AL Habib Asset Management Limited</b>				
- Bank AL Habib Limited	964,648	96,465	11,294,442	1,129,444
<b>Other Related Party</b>				
- Atco Pharma International Private Limited	472	47	503,250	50,382
<b>Units sold to Connected Party holding 10% or more of the units in issue:</b>	-	-	20,751,441	2,077,816

<b><u>Units redeemed by:</u></b>	<b>30 June 2023</b>		<b>30 June 2022</b>	
	<b>(Units)</b>	<b>(Rupees in '000)</b>	<b>(Units)</b>	<b>(Rupees in '000)</b>
<b><i>Management Company</i></b>				
AL Habib Asset Management Limited	<b>10,845,048</b>	<b>1,084,505</b>	10,128,650	1,012,865
<b><i>Parent of Al Habib Asset Management Limited</i></b>				
- Bank Al Habib Limited	<b>952,729</b>	<b>95,273</b>	5,213,531	521,353
<b><i>Other Related Party</i></b>				
- Atco Pharma International Private Limited	<b>-</b>	<b>-</b>	500,000	50,000
<b>Units redeemed to Connected Party holding 10% or more of the units in issue:</b>	<b>1,100,000</b>	<b>110,000</b>	7,577,203	757,721

<b>17.2</b>	<b><u>Units held by:</u></b>	<b>30 June 2023</b>		<b>30 June 2022</b>	
		<b>(Units)</b>	<b>(Rupees in '000)</b>	<b>(Units)</b>	<b>(Rupees in '000)</b>
	<b><i>Management Company</i></b>				
	AL Habib Asset Management Limited	<b>9,418,198</b>	<b>944,284</b>	3,756,041	375,604
	<b><i>Parent of Al Habib Asset Management Company</i></b>				
	- Bank AL Habib Limited	<b>6,092,830</b>	<b>609,283</b>	6,080,911	608,091
	<b><i>Other Related Party</i></b>				
	- Atco Pharma International Private Limited	<b>3,722</b>	<b>372</b>	3,250	325
	<b>Units sold to Connected Party holding 10% or more of the units in issue:</b>	<b>12,074,239</b>	<b>1,207,424</b>	13,174,239	1,317,424

## **18 TOTAL EXPENSE RATIO (TER)**

TER of the Fund for the year ended 30 June 2023 is 1.16% which includes 0.13% representing Government levies and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an money market Fund.

## **19 FINANCIAL RISK MANAGEMENT**

### **Introduction and overview**

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

### **Risk management framework**

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, NBFC Rules and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

## 19.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from bank balances, income receivables and deposits etc.

### Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

### Exposure to credit risk

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	2023		2022	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Bank balances	34,601	34,601	3,039,077	3,039,077
Investments	8,219,654	-	-	-
Profit receivable	2,362	2,362	42,844	42,844
Preliminary expenses and floatation costs	593	-	663	-
Other Assets	6	-	-	-
	<u>8,257,216</u>	<u>36,963</u>	<u>3,082,584</u>	<u>3,081,921</u>

### Credit ratings and Collaterals

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

Ratings	2023 (Percentage)	2022 (Percentage)
AA+ to AA	7.55%	0.01%
AAA	92.45%	99.99%
	<u>100.00%</u>	<u>100.00%</u>

Cash is held only with reputable banks with high quality external credit enhancements.

### Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit risk worthy counterparties thereby mitigating any significant concentration of credit risk.

### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at 30 June 2023.



**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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

**19.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

**Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

**Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

	2023			
	Carrying amount	Less than one month	One month to three months	Three months to one year
<b>Non - derivative financial liabilities</b>	<b>----- (Rupees in '000) -----</b>			
Payable to AL Habib Asset Management Limited - Management Company	8,369	8,369	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	344	344	-	-
Accrued expenses and other liabilities	1,399	768	631	-
	<b>10,112</b>	<b>9,481</b>	<b>631</b>	<b>-</b>
Unit holders' Fund	<b>8,237,414</b>	<b>8,237,414</b>	<b>-</b>	<b>-</b>
	2022			
	Carrying amount	Less than one month	One month to three months	Three months to one year
<b>Non - derivative financial liabilities</b>	<b>----- (Rupees in '000) -----</b>			
Payable to AL Habib Asset Management Limited - Management Company	2,385	2,385	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	167	167	-	-
Accrued expenses and other liabilities	879	615	264	-
	<b>3,431</b>	<b>3,167</b>	<b>264</b>	<b>-</b>
Unit holders' Fund	<b>3,075,903</b>	<b>3,075,903</b>	<b>-</b>	<b>-</b>

### 19.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### Management of Market Risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate risk only.

#### 19.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities and savings bank accounts. Currently the exposure in fixed rate instruments is in Government securities, commercial papers and placements. Other risk management procedures are the same as those mentioned in the credit risk management.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023 (Rupees in '000)	2022 (Rupees in '000)
<b>Variable rate instruments</b>		
Bank balances	<u>34,601</u>	<u>3,039,077</u>

None of the financial liabilities carry any interest rate risk.

#### a) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs.0.346 (2022:Rs. 30.391) million, assuming all other variables held constant.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		2023					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
		----- (Rupees in '000) -----					
<i>On-balance sheet financial instrument</i>							
Bank balances	18.50%-20.50%	34,601	-	-	-	-	34,601
Investments	13.98%-21.99%	-	-	-	-	8,219,654	-
Profit receivable		-	-	-	-	2,362	2,362
<b>Total financial assets</b>		<b>34,601</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,362</b>	<b>36,963</b>
<i>Financial Liabilities</i>							
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	-	2,385	2,385
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	167	167
Accrued expenses and other liabilities		-	-	-	-	1,399	1,399
<b>Total assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,951</b>	<b>3,951</b>

	Mark-up / profit rate	2022					Total
		Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	
		----- (Rupees in '000) -----					
<i>On-balance sheet financial instrument</i>							
Bank balances	12.50%-16.50%	3,039,077	-	-	-	-	3,039,077
Profit receivable		-	-	-	-	42,844	42,844
<b>Total financial assets</b>		<b>3,039,077</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>42,844</b>	<b>3,081,921</b>
<i>Financial Liabilities</i>							
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	-	2,385	2,385
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	167	167
Accrued expenses and other liabilities		-	-	-	-	879	879
<b>Total assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,431</b>	<b>3,431</b>

#### 19.4 Unit Holders' Fund risk management

Management's objective when managing Unit holders' Fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders and to ensure reasonable safety of Unit holders' Fund. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

## 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2023

30 June 2023		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
<b>Financial assets - not measured at fair value</b>	20.1								
Bank balances	4	-	34,601	-	34,601	-	-	-	-
Investments	5	8,219,654	-	-	8,219,654	-	-	-	-
Profit receivable on bank deposits		-	2,362	-	2,362	-	-	-	-
		<u>8,219,654</u>	<u>36,963</u>	<u>-</u>	<u>8,256,617</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities - not measured at fair value</b>	20.1								
Payable to AL Habib Asset Management Limited - Management Company	10	-	-	8,369	8,369	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	344	344	-	-	-	-
Accrued expenses and other liabilities	7	-	-	1,399	1,399	-	-	-	-
		<u>-</u>	<u>-</u>	<u>10,112</u>	<u>10,112</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

30 June 2022

30 June 2022		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Note		(Rupees in '000)							
<b>Financial assets - not measured at fair value</b>	20.1								
Bank balances	4	-	3,039,077	-	3,039,077	-	-	-	-
Profit receivable	6	-	42,844	-	42,844	-	-	-	-
		<u>-</u>	<u>3,081,921</u>	<u>-</u>	<u>3,081,921</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Financial liabilities - not measured at fair value</b>	20.1								
Payable to AL Habib Asset Management Limited - Management Company	10	-	-	2,385	2,385	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	167	167	-	-	-	-
Accrued expenses and other liabilities	7	-	-	879	879	-	-	-	-
		<u>-</u>	<u>-</u>	<u>3,431</u>	<u>3,431</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**20.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 21 PATTERN OF UNITHOLDING

Unit holding pattern of the Fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	41	1,345,882	134,588	1.63%
Associated Companies and Directors	2	6,096,552	609,655	7.40%
Retirement Funds	1	16,659,852	1,665,985	20.22%
Others	47	58,271,846	5,827,185	70.74%
	<u>91</u>	<u>82,374,132</u>	<u>8,237,413</u>	<u>100.00%</u>

Unit holding pattern of the Fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	8	33,905	3,391	0.11%
Associated Companies and Directors	1	6,080,911	608,091	19.77%
Others	15	24,644,211	2,464,421	80.12%
	<u>24</u>	<u>30,759,027</u>	<u>3,075,903</u>	<u>100.00%</u>

## 22 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2023		
At Amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
<b>Financial Assets</b>		
Bank balances	34,601	34,601
Investments	-	-
Profit receivable	2,362	2,362
<b>8,219,654</b>	<b>36,963</b>	<b>36,963</b>
<b>Financial liabilities</b>		
Payable to AL Habib Asset Management Limited - Management Company	-	8,369
Payable to Central Depository Company of Pakistan Limited - Trustee	-	344
Accrued expenses and other liabilities	-	1,399
<b>10,112</b>	<b>-</b>	<b>10,112</b>
30 June 2022		
At Amortised cost	At fair value through profit or loss	Total
(Rupees in '000)		
<b>Financial Assets</b>		
Bank balances	-	3,039,077
Profit receivable	-	42,844
<b>3,081,921</b>	<b>-</b>	<b>3,081,921</b>
<b>Financial liabilities</b>		
Payable to AL Habib Asset Management Limited - Management Company	-	2,385
Payable to Central Depository Company of Pakistan Limited - Trustee	-	167
Accrued expenses and other liabilities	-	879
<b>3,431</b>	<b>-</b>	<b>3,431</b>

## 23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

Broker name	2023	2022
	(Percentage)	(Percentage)
Optimus Markets (Pvt) Limited	26.31%	0.00%
Invest One Markets Limited	24.26%	27.66%
BIPL Securities Limited	14.38%	12.86%
Contienental Exchange (Pvt) Limited	9.32%	18.53%
Arif Habib Limited	9.07%	13.12%
BMA Capital Management Limited	5.87%	17.71%
Icon Securities (Pvt) Limited	4.48%	2.86%
Magenta Capital (Pvt) Limited	3.37%	7.26%
AL Habib Capital Securities	1.98%	0.00%
JS Global Capital Limited	0.96%	0.00%
	<b>100.00%</b>	<b>100.00%</b>

**24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

<b>Name</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	23
Mr. Ahmed Abbas	Fund Manager	MCS & MBA	22
Mr. Talha A. Siddiqui	Fund Manager (Equities)	M. Sc (Economics)	10
Mr. Muhammad Shayan	Manager Investment	MBA & Passed CFA level II	5

- 24.1** Mr. Ahmed Abbas is also Fund Manager of AL Habib Cash Fund, AL Islamic Cash Fund, AL Habib Income Fund, AL Habib Islamic Savings Funds, AL Habib Islamic Income Fund, AL Habib Fixed Return Fund & AL Habib Islamic Munafa Fund.

**25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

<b>Name of Director</b>	<b>Number of meetings</b>			<b>Meeting(s) not attended</b>
	<b>Held</b>	<b>Attended</b>	<b>Leave Granted</b>	
Mr. Abbas D.Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Ms. Zarin Aziz	4	3	1	96th Meeting
Mr. Imran Azim	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi	4	4	-	-

**26 GENERAL**

- 26.1** Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to confirm with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

- 26.1.1** Corresponding figures are for the period from 20th December 2021 to 30th June 2022 and therefore are not comparable with the current year figures.

**27 DATE OF AUTHORIZATION FOR ISSUE**

- 27.1** These financial statements was authorised for issue by the board of directors of the Management Company on **17 August, 2023.**

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2023****Fund Objective**

The investment objective of AHMMF is to provide its unit-holders optimum returns from a portfolio of low risk and short duration assets while being highly liquid.

**Fund Objective Achieved**

The Fund has achieved its stated objective.

**Performance Review**

The return of the fund for FY23 was 17.30%.

**Strategies and Policies Employed during the period under review**

The AHMMF maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Fund, wherein major portion of investment was held with "AAA" rated Banks and short tenor T-bills.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open End - Money Market Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	December 20, 2021	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	70% three (3) months PKRV rates + 30% three (3) months average deposit rate of three (3) AA rated scheduled banks as selected by MUFAP.	<b>Sales Load</b>	3% (Management has the discretion to reduce or waive load on any transaction)
<b>Pricing Mechanism</b>	Backward Pricing	<b>Minimum Investment</b>	Rs. 5,000
<b>Risk Profile</b>	Very Low (Principal at very low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Fund Stability Rating</b>	AA+(f) by VIS
<b>Trustee</b>	Central Depository Company of Pakistan Limited.		

**Market Review**

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.



PKRV Rates			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63
3 Years	19.47	13.45	6.02
5 Years	16.08	12.93	3.15

Policy Rate		
Date	Policy Rate	Change (Bps)
July 13, 2022	15	125
November 28, 2022	16	100
January 24, 2023	17	100
March 3, 2023	20	300
April 5, 2023	21	100
June 27, 2023	22	100

**Asset Allocation of Fund**

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	0.42%	98.59%
T-Bills	99.55%	-
Others	0.04%	1.41%

**Breakdown of Unit Holdings by Size:**

Size of Unit Holding (Units)	# of Unit Holders
1-1000	20
1001-50000	29
50001-500000	17
500001-5000000	16
5000001-10000000	9
<b>Total</b>	<b>91</b>

**Income Distribution**

AHMMF made a total distribution of Rs. 15.93 during FY23 in the form of dividend. EX-NAV of the fund after each dividend becomes Rs. 100.

**During the period under question**

There has been no significant change in the state of affairs of the Fund. AL Habib Money Market Fund does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During the year 387,430,749 units valued of Rs. 38.84 Bn. were sold, while 167,907,821 units valued Rs. 16.79 Bn. were redeemed, resulting in to a net sale of 219,522,929 units valued Rs. 22.05 Bn.

**Unit Holders Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

## AL HABIB MONEY MARKET FUND

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### AHMMF Performance at a Glance

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	8.273	3.07
NAV per unit as at June 30 (Rs. )	100.00	100.00
Distribution during the year ended June 30 (Rs. )	15.93	6.00
Annual Return	17.30%	11.79%
Benchmark	17.01%	10.89%

### Disclosure

There are no material circumstances affecting unit holder interests.

**AL HABIB INCOME FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

**Rating**

AA (f) Fund Stability Rating Rating by PACRA  
AM2+ Management Company Quality Rating  
Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Alfalah Limited  
Allied Bank Limited  
JS bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shahra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com

**TRUSTEE REPORT TO THE UNIT HOLDERS****AL HABIB INCOME FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 AL Habib Income Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 in accordance with the provisions of the following:

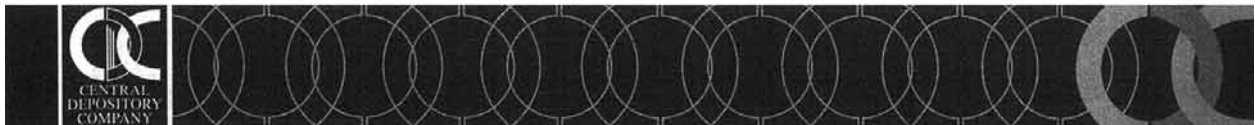
- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2023





EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of AL Habib Income Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **AL Habib Income Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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



-:2:-

Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Debt Instruments</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of debt investments which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement and valuations on the basis of prices determined by Mutual Funds Association of Pakistan (MUFAP).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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-:3:-

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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-:4:-

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

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

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

#### Report on Other Legal and Regulatory Requirements

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

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

Chartered Accountants

Date: 28 September 2023

Karachi

UDIN Number: AR2023101915F2NbGCEK

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances and Term deposit receipts	4	8,739	1,369,818
Investments	5	2,865,683	243,586
Income receivable	6	56,920	25,651
Advance, deposits and prepayments	7	3,316	4,942
<b>Total assets</b>		<b>2,934,658</b>	<b>1,643,997</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	16	2,821	731
Provision for Federal Excise Duty on remuneration of the Management Company	8	8,746	8,746
Payable to Central Depository Company of Pakistan Limited - Trustee	9	203	128
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	519	343
Payable against redemption of units	21	-	1
Accrued expenses and other liabilities	12	17,837	15,231
<b>Total liabilities</b>		<b>30,126</b>	<b>25,180</b>
<b>Net assets</b>		<b>2,904,532</b>	<b>1,618,817</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>2,904,532</b>	<b>1,618,817</b>
<b>Contingencies and commitments</b>			
	13		
		(Number of Units)	
<b>Number of units in issue (Face value of units is Rs.100 each)</b>		<b>28,690,689</b>	<b>16,025,978</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>101.24</b>	<b>101.01</b>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Income</b>			
Profit on bank deposits	14	49,654	93,365
Mark-up / return on investments	15	375,472	79,756
Profit on term deposit receipt		3,062	2,820
Net (loss) / gain on investments classified at fair value through profit or loss			
- Gain / (Loss) on sale of investments		23,152	(4,067)
- Net unrealised gain / (loss) on revaluation of investments at fair value through profit or loss	5.1, 5.2 & 5.3	(7,835)	1,223
		<u>15,317</u>	<u>(2,844)</u>
<b>Total income</b>		<b>443,505</b>	<b>173,097</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	16	21,607	8,891
Sindh Sales Tax on Management Company's remuneration	16.1	2,809	1,156
Expense allocated by the Management Company	17	4,304	2,426
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	1,947	1,285
Sindh Sales tax on Trustee's remuneration	9.1	253	167
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	519	343
Brokerage expense		343	418
Settlement and bank charges		321	362
Annual listing fee		25	25
Auditor's remuneration	18	543	408
Mutual fund rating fee		557	504
Printing charges		65	65
Fees and subscription		126	251
Other expense		3	5
<b>Total expenses</b>		<b>33,422</b>	<b>16,306</b>
<b>Net income from operating activities</b>		<b>410,083</b>	<b>156,791</b>
Reversal / (provision) for Sindh Workers' Welfare Fund		-	7,237
<b>Net income for the period before taxation</b>		<b>410,083</b>	<b>164,028</b>
Taxation	19	-	-
<b>Net income for the year after taxation</b>		<b>410,083</b>	<b>164,028</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year after taxation		410,083	164,028
Income already paid on units redeemed		(151,877)	(66,917)
		<u>258,206</u>	<u>97,111</u>
<b>Accounting Income available for distribution:</b>			
- Relating to capital gains		23,152	1,223
- Excluding capital gains		235,054	95,888
		<u>258,206</u>	<u>97,111</u>

The annexed notes 1 to 30 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**  
***FOR THE YEAR ENDED JUNE 30, 2023***

	2023	2022
	(Rupees in '000)	
Net income for the year	410,083	164,028
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b><u>410,083</u></b>	<b><u>164,028</u></b>

The annexed notes 1 to 30 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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Chief Executive Officer

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Chief Financial Officer

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Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS  
FOR THE YEAR ENDED JUNE 30, 2023**

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
<b>Net assets at beginning of the year</b>	1,602,042	16,775	1,618,817	1,399,355	13,207	1,412,562
<b>Issuance of 135,977,745 units (30 June 2022: 40,969,481)</b> including additional 1,978,952 (30 June 2022: 463,798) units issued at nil value						
- Capital value	13,735,112	-	13,735,112	4,130,485	-	4,130,485
- Element of income	227,948	-	227,948	152,415	-	152,415
Amount received / receivable on issuance of units	13,963,060	-	13,963,060	4,282,900	-	4,282,900
<b>Redemption of 123,313,034 units (30 June 2022: 38,954,456)</b>						
- Capital value	(12,455,850)		(12,455,850)	(3,927,334)	-	(3,927,334)
- Element of loss	(44,482)	(151,877)	(196,359)	(106,151)	(66,917)	(173,068)
Amount paid / payable on redemption of units	(12,500,332)	(151,877)	(12,652,209)	(4,033,485)	(66,917)	(4,100,402)
<b>Total comprehensive income for the year</b>	-	410,083	410,083	-	164,028	164,028
interim distribution for the year ended 30 June 2023:						
Rs. 16.0553/- per units (2022: Rs. 10.02602/- per unit declared)	(199,894)	(235,325)	(435,219)	(46,728)	(93,543)	(140,271)
<b>Net income for the year less distribution</b>	(199,894)	174,758	(25,136)	(46,728)	70,485	23,757
<b>Net assets at end of the year</b>	2,864,876	39,656	2,904,532	1,602,042	16,775	1,618,817
<b>Undistributed income brought forward</b>						
- Realised gain		15,552			14,132	
- Unrealised gain / (loss)		1,223			(925)	
		16,775			13,207	
<b>Accounting income available for distribution</b>						
- Relating to capital gains		23,152			1,223	
- Excluding capital gains		235,054			95,888	
		258,206			97,111	
interim distribution for the year ended 30 June 2023:						
Rs. 16.0553/- per units (2022: Rs. 10.02602/- per unit declared)		(235,325)			(93,543)	
<b>Undistributed income carried forward</b>		39,656			16,775	
<b>Undistributed income carried forward comprises of</b>						
- Realised gain		47,491			15,552	
- Unrealised (loss) / gain		(7,835)			1,223	
		39,656			16,775	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>	101.01			100.82		
<b>Net assets value per unit at end of the year</b>	101.24			101.01		

The annexed notes 1 to 30 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

# CASH FLOW STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 (Rupees in '000)	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		410,083	164,028
<b>Adjustments for:</b>			
Profit on bank deposits		(49,654)	(93,365)
Mark-up / return on investments		(375,472)	(79,756)
Profit on term deposit receipt		(3,062)	(2,820)
Net unrealised (loss) / gain on revaluation of investments classified as fair value through profit and loss		-	-
		7,835	(1,223)
		(10,270)	(13,136)
<i>Increase in assets</i>			
Investments		(2,629,934)	(81,309)
Receivable against sale of units		-	364
Deposits and prepayments		1,626	(20)
		(2,628,308)	(80,965)
<i>Increase in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		2,090	(838)
Payable to Central Depository Company of Pakistan Limited - Trustee		75	(14)
Payable to Securities and Exchange Commission of Pakistan (SECP)		176	133
Payable against redemption of units		1	(10)
Provision for Sindh Workers' Welfare Fund		-	(7,237)
Accrued expenses and other liabilities		2,606	9,284
		4,948	1,318
Profit on bank deposits received		67,715	79,534
Mark-up / return on investments received		326,142	76,318
Profit on term deposit receipt received		3,062	2,820
<b>Net cash (used in) / generated from operating activities</b>		(2,236,711)	65,889
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issuance of units		13,963,060	4,282,900
Amount paid on redemption of units		(12,652,209)	(4,100,402)
Dividend paid during the year		(435,219)	(140,271)
<b>Net cash generated from financing activities</b>		875,632	42,227
Net increase in cash and cash equivalents during the year		(1,361,079)	108,116
Cash and cash equivalents at beginning of the year		1,369,818	1,261,702
Cash and cash equivalents at end of the year		8,739	1,369,818
<b>Cash and cash equivalents comprise of :</b>			
Bank balances and Term deposit receipts	4	8,739	1,369,818
		8,739	1,369,818

The annexed notes 1 to 30 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

**1.1** AL Habib Income Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 6 September 2006 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 3 August 2006 under Regulation 67 of the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on 15 October 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

**1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 3rd Floor, MacKinnon's Building, I.I. Chundrigar Road, Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

**1.3** The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the Fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' and 'AA(f)' to the Management Company and the Fund respectively.

**1.4** The Fund invests in a diversified portfolio of Term Finance Certificates, Government securities, corporate debt securities, certificates of investments, Term Deposit Receipts, continuous funding system and other money market instruments (including the clean placements). The Fund has been categorised as income scheme.

Title of the assets of the Fund is held in the name of Central Depository Company (CDC) as a trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

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

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

#### 2.2 New / Revised Standards, Interpretations and Amendments

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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.

#### **2.4 Critical accounting estimates and judgments**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets and provision under uncertain circumstances such as taxes recoverable and Federal Excise Duty payable on remuneration of management company as disclosed in notes 07 and 08 respectively.

#### **2.5 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that investments are required to be stated at fair value.

#### **2.6 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand rupees.

### **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

#### **3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

## 3.2 Financial assets

### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

### 3.2.2 Classification

#### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

#### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

**3.2.5 Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Debt investments at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Debt investments at FVTPL</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Equity instruments at FVOCI</b>	<p>Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.</p> <p>Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.</p>
<b>Equity investments at FVTPL</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Debt securities (Government securities)**

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

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

**3.2.6 Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**3.2.7 Impairment of financial assets**

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

**3.2.8 Regular way contracts**

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

**3.2.9 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset."

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

**3.2.10 Offsetting of financial instruments**

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

**3.3 Financial liabilities**

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

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

**3.4 Provisions**

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

**3.5 Unit holders' Fund**

Unit holders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

**3.6 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

**3.7 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

### **3.8 Net asset value - per unit**

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

### **3.9 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

### **3.10 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

### **3.11 Marginal Trading System**

Transactions of purchase under Margin Trading System (MTS) of marketable securities are entered into contracted rates for specified periods of time. Securities purchased under MTS are not recognised in the Statement of Assets and Liabilities. The amount paid under such agreements is recognised as receivable in respect of MTS. Profit is recognised on an accrual basis using the effective interest method. Cash releases are adjusted against the receivable as a reduction in the amount of receivable. The maximum maturity of an MTS contract is 60 calendar days out of which 25% exposure is automatically released at expiry of every 15th day from the day of contract.

### **3.12 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### **3.13 Expenses**

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

### **3.14 Distributions**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

### 3.15 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the Management, determination of weighted average units for calculating EPU is not practicable.

## 4 BANK BALANCES AND TERM DEPOSIT RECEIPTS

	Note	2023 (Rupees in '000)	2022
Savings accounts	4.1	4,256	1,244,708
Current accounts	4.2	4,483	110
Term Deposits Receipts		-	125,000
		<u>8,739</u>	<u>1,369,818</u>

4.1 The profit rates effective at year end on these accounts range from 18.00% to 20.50% (30 June 2022: 10.00% to 16.60%) per annum. It includes balance of Rs. 6.422 million (30 June 2022: Rs 4.02 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 20.50% (30 June 2022: 12.50%) per annum.

4.2 This represents balance with Bank AL Habib Limited (ultimate parent), a related party.

## 5 INVESTMENTS

	Note	2023 (Rupees in '000)	2022
<b>Investments by Category</b>			
<b>At fair value through profit or loss</b>			
Government securities - Market Treasury Bills	5.1	1,342,920	-
Government securities - Pakistan Investment Bonds	5.2	1,434,695	99,140
Term Finance Certificates / Sukuk certificates	5.3	88,068	144,446
		<u>2,865,683</u>	<u>243,586</u>

### 5.1 Government securities - Market Treasury Bills

Issue date	Face value			As at 30 June 2023			Market value as percentage of		
	As at 01 July 2022	Purchased during the year	Sold / Matured during the year	As at 30 June 2023	Carrying value	Market value	Unrealised loss	Net assets	Total investments
(Rupees in '000)									
<i>Treasury bills</i>									
T-BILL 3 MONTHS (30-06-2022)	-	5,100,000	5,100,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (16-06-2022)	-	7,800,000	7,800,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (14-07-2022)	-	10,000,000	10,000,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (28-07-2022)	-	10,840,000	10,840,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (22-09-2022)	-	8,000,000	8,000,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (06-10-2022)	-	11,690,000	11,690,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (20-10-2022)	-	14,500,000	14,500,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (17-11-2022)	-	13,845,000	13,845,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (03-11-2022)	-	10,450,000	10,450,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (26-01-2023)	-	42,359,000	42,359,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (09-03-2023)	-	2,500,000	2,500,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (06-04-2023)	-	33,420,000	33,420,000	-	-	-	-	0.00%	0.00%
T-BILL 3 MONTHS (20-04-2023)	-	1,410,000	-	1,410,000	140,023	139,972	(51)	4.82%	4.88%
T-BILL 03 MONTHS (15-06-2023)	-	17,990,000	7,140,000	10,850,000	1,042,614	1,041,260	(1,354)	35.85%	36.34%
T-BILL 06 MONTHS (15-06-2023)	-	10,000,000	8,215,000	1,785,000	162,440	161,688	(752)	5.57%	5.64%
T-BILL 12 MONTHS (15-06-2023)	-	5,000,000	5,000,000	-	-	-	-	0.00%	0.00%
Total as at 30 June 2023					<u>1,345,077</u>	<u>1,342,920</u>	<u>(2,157)</u>		
Total as at 30 June 2022					<u>-</u>	<u>-</u>	<u>-</u>		



5.1.1 Rate of return on the above treasury bills ranged from 14.75% to 22.05% per annum.

## 5.2 Government securities - Sukuks and Pakistan Investment Bonds

Name of the Investee	Face Value			As at 30 June 2023				Market value as percentage of	
	As at 01 July 2022	Purchased during the year	Sold / matured during the year	As at 30 June 2023	Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
	(Rupees in '000)								
PIB 2 YEARS (30-12-2021) - FLOATER	100,000,000	925,000,000	1,025,000,000	-	-	-	-	0.00%	0.00%
PIB 5 YEARS (13-10-2022) - FIXED	-	300,000,000	300,000,000	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK - FRR (22-05-2023)	-	25,000,000	25,000,000	-	-	-	-	0.00%	0.00%
PIB 3 YEARS (09-02-2023) - FLOATER	-	750,000,000	-	750,000,000	728,675	728,100	(575)	25.07%	25.41%
PIB 3 YEARS (08-09-2022) - FLOATER	-	2,495,600,000	2,495,600,000	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK - VRR (26-10-2022)	-	900,000,000	900,000,000	-	-	-	-	0.00%	0.00%
PIB 3 YEARS (04-08-2022) - FIXED	-	640,000,000	300,000,000	340,000,000	288,818	285,345	(3,473)	9.82%	9.96%
PIB 2 YEARS (06-04-2023) - FLOATER	-	250,000,000	-	250,000,000	246,636	246,250	(386)	8.48%	8.59%
GOP IJARA SUKUK - FRR (22-05-2023)	-	50,000,000	-	50,000,000	50,000	50,000	-	1.72%	1.74%
PIB 2 YEARS (26-08-2021) - FLOATER	-	9,908,000,000	9,908,000,000	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK 1 YEAR VRR (26-10-2022)	-	125,000,000	-	125,000,000	125,000	125,000	-	4.30%	4.36%
PIB 5 YEARS (06-05-2021) - FLOATER	-	500,000,000	500,000,000	-	-	-	-	0.00%	0.00%
Total as at 30 June 2023					1,439,129	1,434,695	(4,434)		
Total as at 30 June 2022					98,729	99,140	411		

5.2.1 Profit rate on above Pakistan Investment bonds ranged from 13.19% to 21.99% per annum.

## 5.3 Term Finance Certificates / Sukuk Certificates

Name of the Investee		Face Value			As at 30 June 2023	As at 30 June 2023			Market value as percentage of	
		As at 01 July 2022	Purchased during the year	Sold / matured during the year		Carrying value	Market value	Unrealised (loss) / gain	Net assets	Total investments
Unquoted	Note	(Number of certificates)				(Rupees in '000)				
Ghani Chemical Industries Limited - Sukuk (2-2-2017) (certificates of Rs. 100,000 each)	5.3.1	250	-	-	250	2,990	2,875	(115)	0.10%	0.10%
Meezan Bank Ltd. - Sukuk (09-01-20)	5.3.1	25	-	-	25	25,678	25,127	(551)	0.87%	0.88%
Askari Bank Limited-TFC VII (17-03-2020) (certificates of Rs. 100,000 each)	5.3.1	60	-	-	60	60,645	60,066	(579)	2.07%	2.10%
Dubai Islamic Bank Limited - Sukuk (14-07-17)	5.3.1	25	-	25	-	-	-	-	0.00%	0.00%
Gas & Oil Pakistan Limited - Sukuk (31-12-2021)	5.3.1	25	-	25	-	-	-	-	0.00%	0.00%
Total as at 30 June 2023						89,313	88,068	(1,245)		
Total as at 30 June 2022						143,634	144,446	812		

## 5.3.1 Significant terms and conditions of TFCs / Sukuk Certificates outstanding at the year end are as follows:

Name of security	Number of Certificates	Repayment frequency	Unredeemed face value per Sukuk (Rupees)	Profit rate (per annum)	Issue date	Maturity date	Rating
<b>TFC / Sukuk Certificates</b>							
<b>Unquoted</b>							
Ghani Chemical Industries Limited - Sukuk (2-2-2017)	250	Quarterly	12,500	3 Months KIBOR plus 1%	2-Feb-17	2-Feb-24	A
Meezan Bank Ltd. - Sukuk (09-01-20)	25	Half yearly	1,000,000	6 Months KIBOR plus 0.90%	9-Jan-20	9-Jan-30	AAA
Askari Bank Limited-TFC VII (17-03-2020)	60	Quarterly	1,000,000	3 Months KIBOR plus 1.20%	17-Mar-20	17-Mar-30	AA
<b>Quoted</b>							
GOP IJARA SUKUK 1 YEAR VRR (26-10-2022)	1250	Half yearly	100,000	21.30%	26-Oct-22	26-Oct-27	AAA
GOP IJARA SUKUK - FRR (22-05-2023)	500	Half yearly	100,000	12.49% - 13.35%	22-May-23	22-May-24	AAA

**6 INCOME RECEIVABLE**

	Note	2023 (Rupees in '000)	2022
Receivable against Term Finance Certificates and Sukuk Certificates		53,658	4,328
Bank deposits		3,262	21,323
		<u>56,920</u>	<u>25,651</u>

**7 ADVANCE, DEPOSITS AND PREPAYMENTS**

Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)		1,000	2,500
Deposit with Central Depository Company of Pakistan Limited		100	100
Deposit with NCCPL against Margin Trading System (MTS)		250	250
Prepayment against MTS account maintenance fee		-	126
Advance tax	7.1	1,966	1,966
		<u>3,316</u>	<u>4,942</u>

- 7.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

**8 PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY**

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Sindh High Court (SHC) on 4 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan, which is pending for the decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 8.746 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2023 would have been higher by Rs. 0.30 (30 June 2022: Rs. 0.55) per unit.

## **9 PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee during the year 0.075% (30 June 2022: 0.075%) of net assets per annum.

**9.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Trustee's remuneration charged during the year.

## **10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with regulation 62 of the NBFC Regulations. The fee of the SECP Charged during the year at 0.02% (30 June 2022: 0.02%) of net assets.

## **12 ACCRUED EXPENSES AND OTHER LIABILITIES**

	Note	2023 (Rupees in '000)	2022
Auditors' remuneration		511	262
Others		17,326	14,969
		<u>17,837</u>	<u>15,231</u>

## **13 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

## **14 PROFIT ON BANK DEPOSITS**

Savings accounts	14.1	<u>49,654</u>	<u>93,365</u>
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**14.1** This includes profit on bank deposits with Bank AL Habib Limited (a related party) of Rs.43.896 million (2022: Rs. 4.532 million).

## **15 MARK-UP / RETURN ON INVESTMENTS**

		2023 (Rupees in '000)	2022
<b>Mark-up / return on:</b>			
Government securities		178,092	49,644
Term Finance Certificates and Sukuk Certificates		197,380	30,112
		<u>375,472</u>	<u>79,756</u>

## **16 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) I 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the Fund. The Management has charged its remuneration at rate ranging from 0% to 10% of the gross earnings (30 June 2022: 10% of the gross earnings with a maximum of 1.5% and a minimum of 1% of average daily net assets) of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

**16.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the management company's remuneration charged during the year.

**17 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged 4.304 Million (30 June 2022: 2.426 million) to the Fund.

**18 AUDITOR'S REMUNERATION**

	<b>2023</b>	<b>2022</b>
	<b>(Rupees in '000)</b>	
Annual audit fee	<b>314</b>	247
Half yearly review fee	<b>184</b>	124
Out of pocket expenses	<b>45</b>	37
	<b><u>543</u></b>	<b><u>408</u></b>

**19 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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2023.

**20 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include:

<b>S.No</b>	<b>Company Name</b>	<b>Relationship</b>
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	AL Habib Capital Market (Private) Limited	Subsidiary of Bank AL Habib Limited
4	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Islamic Saving Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties include directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above related parties.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.

Remuneration to Management Company and Trustee is determined in accordance with the provisions of Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, Non-Banking Finance Companies and Notified Entities Regulation 2008 and the Trust Deed respectively.

**Details of transactions with connected persons / related parties are as follows:**

	2023	2022
	(Rupees in '000)	
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management fee	<u>21,607</u>	<u>8,891</u>
- Sales tax	<u>2,809</u>	<u>1,156</u>
- Allocated Expenses	<u>4,304</u>	<u>2,426</u>
- Dividend paid	<u>92,215</u>	<u>1,703</u>
<b>Bank AL Habib Limited</b>		
- Profit on bank deposits	<u>43,896</u>	<u>4,532</u>
- Dividend paid	<u>61,736</u>	<u>33,270</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration to the Trustee	<u>1,947</u>	<u>1,285</u>
- Sales tax	<u>253</u>	<u>167</u>

**Details of the balances with connected persons as at year end are as follows:**

<b>Bank AL Habib Limited</b>		
- Bank balance	<u>5,138</u>	<u>4,023</u>
- Profit receivable	<u>2</u>	<u>134</u>
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management Company fee payable	<u>2,821</u>	<u>731</u>
- Federal Excise duty payable	<u>8,746</u>	<u>8,746</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable	<u>203</u>	<u>128</u>
- Other CDC Charges payable	<u>-</u>	<u>1</u>
- Security deposit - Non interest bearing	<u>100</u>	<u>100</u>

**Sale / Redemption of units**

	2023		2022	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
AL Habib Asset Management Limited	<u>24,069,320</u>	<u>2,483,527</u>	<u>23,809,065</u>	<u>2,493,302</u>
<b>Parent Company</b>				
- Bank AL Habib Limited	<u>-</u>	<u>-</u>	<u>2,481,395</u>	<u>255,713</u>
<b>Other related parties:</b>				
- Directors and spouse of the Management Company	<u>13,228</u>	<u>1,572</u>	<u>7,370</u>	<u>743</u>
- Habib Asset Management Limited Provident Fund	<u>60,379</u>	<u>6,225</u>	<u>-</u>	<u>-</u>
- Key Executives of the Management Company	<u>101</u>	<u>10</u>	<u>68</u>	<u>7</u>
- Habib Insurance Company Limited Pakistan- EPF	<u>205,421</u>	<u>21,001</u>	<u>-</u>	<u>-</u>
<b>Connected Parties holding 10% or more of the units in issue</b>	<u>10,581,298</u>	<u>1,071,726</u>	<u>1,565,711</u>	<u>165,641</u>

	2023		2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units redeemed by:</u></b>				
<b><i>Management Company</i></b>				
AL Habib Asset Management Limited	<u>24,104,160</u>	<u>2,440,340</u>	<u>23,809,065</u>	<u>2,493,302</u>
<b><i>Other related parties</i></b>				
- Directors and spouse of the Management Company	<u>-</u>	<u>-</u>	<u>161</u>	<u>17</u>
- Habib Asset Management Limited Provident Fund	<u>60,379</u>	<u>6,294</u>	<u>-</u>	<u>-</u>
- Key Executives of the Management Company	<u>49</u>	<u>5</u>	<u>-</u>	<u>-</u>
- Habib Insurance Company Limited Pakistan- EPF	<u>518</u>	<u>53</u>	<u>-</u>	<u>-</u>
<b><u>Units held by:</u></b>				
<b><i>Management Company</i></b>				
AL Habib Asset Management Limited	<u>2,722,872</u>	<u>275,653</u>	<u>-</u>	<u>274,961</u>
<b><i>Parent Company</i></b>				
- Bank AL Habib Limited	<u>3,845,202</u>	<u>389,273</u>	<u>3,845,203</u>	<u>388,412</u>
<b><i>Other related parties</i></b>				
- Directors and spouse of the Management Company	<u>105,977</u>	<u>10,729</u>	<u>92,747</u>	<u>9,369</u>
- Habib Asset Management Limited Provident Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
- Key executive of the Management Company	<u>52</u>	<u>5</u>	<u>68</u>	<u>7</u>
- Habib Insurance Company Limited Pakistan- Employee Provident Fund	<u>205,422</u>	<u>20,796</u>	<u>520</u>	<u>52</u>
<b>Connected Parties holding 10% or more of the units in issue</b>	<u>-</u>	<u>-</u>	<u>2,565,027</u>	<u>259,099</u>

21	<b>RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES</b>	<b>Receivable against issuance of units</b>	<b>Payable against redemption of units</b>	<b>Total</b>
		<b>----- (Rupees in '000) -----</b>		
Opening balance as at 01 July 2022		-	-	-
Receivable against issuance of units	13,963,060	-	13,963,060	
Payable against redemption of units	-	(12,652,209)	(12,652,209)	
	13,963,060	(12,652,209)	1,310,851	
Amount received on issuance of units	(13,963,060)	-	(13,963,060)	
Amount paid on redemption of units	-	12,652,209	12,652,209	
	(13,963,060)	12,652,209	(1,310,851)	
<b>Closing balance as at 30 June 2023</b>	<u>-</u>	<u>-</u>	<u>-</u>	

**22 FINANCIAL RISK MANAGEMENT****Introduction and overview**

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

**Risk management framework**

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

The Fund invests in a diversified portfolio of Term Finance Certificates, Government Securities, MTS Financing, Equity Securities, corporate debt securities, Term Deposit Receipts, continuous funding system and other money market instruments (including the clean placements). Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

**22.1 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, investment in debt securities, income receivables and deposits.

**Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

**Exposure to credit risk**

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk is as follows:



	2023		2022	
	Statement of assets and liabilities	Maximum exposure (Rupees in '000)	Statement of assets and liabilities	Maximum exposure
Bank balances and Term deposit receipts	8,739	8,739	1,369,818	1,369,818
Investments	2,865,683	88,068	243,586	144,446
Income receivable	56,920	56,920	25,651	25,651
Advance, deposits and prepayments	3,316	1,350	4,942	2,976
	<u>2,934,658</u>	<u>155,077</u>	<u>1,643,997</u>	<u>1,542,891</u>

#### Credit ratings and Collaterals

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP and as determined by Pakistan Credit Rating Agency or VIS.

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

Ratings	2023 (Percentage)	2022 (Percentage)
A+ to A-	0.55%	0.00%
AA+ to AA-	7.33%	21.83%
AAA	92.12%	78.17%
	<u>100.00%</u>	<u>100.00%</u>

Cash is held only with reputable banks with high quality external credit enhancements.

#### Investment in debt securities

Credit risk on debt instrument is mitigated by investing primarily in investment grade rated investment and purchase certificate of investment or make placements with financial institution having sound credit ratings.

Ratings	2023 (Percentage)	2022 (Percentage)
A+ to A-	0.00%	2.75%
AA+ to AA-	3.07%	45.87%
AAA	96.93%	51.38%
	<u>100.00%</u>	<u>100.00%</u>

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 96.93% (2022: 40.70%) of the Funds financial assets are in Government Securities which are not exposed to credit risk while the remaining portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

As at year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	2023 (Percentage)	2022 (Percentage)
Banks	98.13%	97.93%
Manufacturing	1.87%	2.07%
	<u>100.00%</u>	<u>100.00%</u>

#### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired. No provisions have been booked during the year.

#### 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 an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

**22.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

**Management of Liquidity Risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

**Maturity analysis of financial liabilities**

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.

**22.2.1** The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

	2023			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
<b>Non-derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	2,821	2,821	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	8,746	8,746	-	-
Payable against redemption of units	-	-	-	-
Accrued expenses and other liabilities	10,720	10,209	511	-
	<u>22,287</u>	<u>21,776</u>	<u>511</u>	<u>-</u>
Unit holders' Fund	<u>2,904,532</u>	<u>2,904,532</u>	<u>-</u>	<u>-</u>
	2022			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
<b>Non-derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	731	731	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	128	128	-	-
Payable against redemption of units	1	1	-	-
Accrued expenses and other liabilities	732	470	262	-
	<u>1,592</u>	<u>1,330</u>	<u>262</u>	<u>-</u>
Unit holders' Fund	<u>1,618,817</u>	<u>1,618,817</u>	<u>-</u>	<u>-</u>

### 22.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### Management of market risks

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. Fund is exposed to interest rate risk only.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities, Term Finance Certificates, Term Deposit Receipts, Commercial Papers, clean placements and savings bank accounts. The Fund carries a mix of fixed and floating rate financial instruments. Currently the exposure in fixed rate instruments is in Government securities only. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023	2022
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Term deposit receipts	-	125,000
<b>Variable rate instruments</b>		
Bank balances	4,256	1,244,708
Government securities	2,777,615	99,140
Term Finance Certificates / Sukuk Certificates	88,068	144,446
	<b>2,869,939</b>	<b>1,488,294</b>

None of the financial liabilities carry any interest rate risk.

#### a) Cash flow sensitivity analysis for variable rate instruments

In case of change of 100 basis points in KIBOR and Weighted Average Yield on 30 June 2023, the net assets of the Fund would have been lower / higher by Rs 28.70 million (2022: Rs. 14.88 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

#### b) Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2023, Term Deposit Receipt exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2022, the net assets of the Fund would have been lower/ higher by Rs. Nil million (2022: 1.25 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

**30 June 2023**

	Markup / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	Total
(Rupees in '000)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances and Term deposit receipts	18.00% - 20.50%	8,739	-	-	-	8,739
Investments	13.19% - 22.05%	-	-	2,865,683	-	2,865,683
Receivable against Margin Trading System (MTS)		-	-	-	-	-
Income receivable		-	-	-	56,920	56,920
Receivable against sale of units		-	-	-	-	-
Receivable against sale of investment		-	-	-	-	-
Advance, deposits and prepayments		-	-	-	1,350	1,350
<b>Total financial assets</b>		<b>8,739</b>	<b>-</b>	<b>2,865,683</b>	<b>58,270</b>	<b>2,932,692</b>
<b>Financial liabilities</b>						
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	2,821	2,821
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	203	203
Payable against redemption of units		-	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company		-	-	-	8,746	8,746
Accrued expenses and other liabilities		-	-	-	10,720	10,720
		-	-	-	22,490	22,490
<b>On-balance sheet gap</b>		<b>8,739</b>	<b>-</b>	<b>2,865,683</b>	<b>35,780</b>	<b>2,910,202</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**30 June 2022**

	Markup / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	Total
(Rupees in '000)						
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances and Term deposit receipts	10.00% - 16.60%	1,369,818	-	-	-	1,369,818
Investments	11.97% - 16.25%	-	-	243,586	-	243,586
Receivable against Margin Trading System (MTS)		-	-	-	-	-
Income receivable		-	-	-	25,651	25,651
Receivable against sale of units		-	-	-	-	-
Receivable against sale of investment		-	-	-	-	-
Advance, deposits and prepayments		-	-	-	2,976	2,976
<b>Total financial assets</b>		<b>1,369,818</b>	<b>-</b>	<b>243,586</b>	<b>28,627</b>	<b>1,642,031</b>
<b>Financial liabilities</b>						
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	731	731
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	128	128
Payable against redemption of units		-	-	-	1	1
Provision for Federal Excise Duty on remuneration of the Management Company		-	-	-	8,746	8,746
Accrued expenses and other liabilities		-	-	-	732	732
		-	-	-	10,338	10,338
<b>On-balance sheet gap</b>		<b>1,369,818</b>	<b>-</b>	<b>243,586</b>	<b>18,289</b>	<b>1,631,693</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 22.4 Price Risk

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

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE-100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believes the Fund can maximise the returns derived for the level of risk to which the Fund is exposed.

## 22.5 Unit Holders' Fund risk management

Management's objective when managing Unit holders' Fund is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders' and to ensure reasonable safety of Unit holders' Fund.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market conditions. The Unit holders' Fund structure depends on the issuance and redemption of units.

## 23 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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

According to the amendments to IFRS 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Note	Carrying amount				Fair value			
		At fair value through profit	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2023		(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Government securities	5.1 & 5.2	2,777,615	-	-	2,777,615	-	2,777,615	-	2,777,615
TFC and Sukuk bonds	5.3	88,068	-	-	88,068	-	88,068	-	88,068
<b>Financial assets - not measured at fair value</b>	23.2								
Bank balances and Term deposit receipts	4	-	8,739	-	8,739	-	-	-	-
Receivable against sale of units		-	-	-	-	-	-	-	-
Income receivable	6	-	56,920	-	56,920	-	-	-	-
Advance, deposits and prepayments	0	-	1,350	-	1,350	-	-	-	-
		<b>2,865,683</b>	<b>67,009</b>	<b>-</b>	<b>2,932,692</b>	<b>-</b>	<b>2,865,683</b>	<b>-</b>	<b>2,865,683</b>
<b>Financial liabilities - not measured at fair value</b>	23.2								
Payable to AL Habib Asset Management Limited - Management Company	16	-	-	2,821	2,821	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	-	-	203	203	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	8,746	8,746	-	-	-	-
Payable against redemption of units	21	-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	12	-	-	10,720	10,720	-	-	-	-
		<b>-</b>	<b>-</b>	<b>11,770</b>	<b>11,770</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

		Carrying amount				Fair value			
		At fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2022	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Government securities	5.1 & 5.2	99,140	-	-	99,140	-	99,140	-	99,140
TFC and Sukuk bonds	5.3	144,446	-	-	144,446	-	144,446	-	144,446
<b>Financial assets - not measured at fair value</b>									
Bank balances and Term deposit receipts	4	-	1,369,818	-	1,369,818	-	-	-	-
Receivable against sale of units		-	-	-	-	-	-	-	-
Income receivable	6	-	25,651	-	25,651	-	-	-	-
Advance, deposits and prepayments	7	-	2,976	-	2,976	-	-	-	-
		243,586	1,398,445	-	1,642,031	-	243,586	-	243,586
<b>Financial liabilities - not measured at fair value</b>									
Payable to AL Habib Asset Management Limited - Management Company	16	-	-	731	731	-	-	-	-
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	9	-	-	128	128	-	-	-	-
Accrued expenses and other liabilities	12	-	-	732	732	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	8,746	8,746	-	-	-	-
Payable against redemption of units	21	-	-	1	1	-	-	-	-
		-	-	10,338	10,338	-	-	-	-

### 23.1 Valuation techniques used in determination of fair values within level 2:

Investments in Term Finance Certificates and Sukuk Certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

23.2 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

### 24 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	366	18,551,706	1,878,099	64.66%
Associated companies and directors	4	6,599,272	668,087	23.00%
Insurance companies	1	43	4	0.00%
Banks and DFIs	1	29,187	2,955	0.10%
Retirement funds	11	1,108,684	112,239	3.87%
Others	22	2,401,797	243,148	8.37%
	405	28,690,689	2,904,532	100.00%

Unit holding pattern of the fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	334	2,738,316	276,597	17.09%
Associated companies and directors	1	3,845,202	388,404	23.99%
Insurance companies	2	422,887	42,716	2.64%
Banks and DFIs	1	24,959	2,521	0.16%
Retirement funds	11	512,054	51,723	3.19%
Others	19	8,482,560	856,856	52.93%
	<u>368</u>	<u>16,025,978</u>	<u>1,618,817</u>	<u>100.00%</u>

## 25 FINANCIAL INSTRUMENTS BY CATEGORY

30 June 2023			
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances and Term deposit receipts	8,739	-	8,739
Term Finance Certificates / Sukuk certificates	-	2,865,683	2,865,683
Income receivable	56,920	-	56,920
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	1,350	-	1,350
	<u>67,009</u>	<u>2,865,683</u>	<u>2,932,692</u>
<b>Financial Liabilities</b>			
Payable to the Management Company	2,821	-	2,821
Payable to Central Depository Company of Pakistan Limited - Trustee	203	-	203
Payable against redemption of units	-	-	-
Accrued expenses and other liabilities	10,720	-	10,720
	<u>13,744</u>	<u>-</u>	<u>13,744</u>
30 June 2022			
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances and Term deposit receipts	1,369,818	-	1,369,818
Term Finance Certificates / Sukuk certificates	-	144,446	144,446
Income receivable	25,651	-	25,651
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	2,976	-	2,976
	<u>1,398,445</u>	<u>144,446</u>	<u>1,542,891</u>
<b>Financial Liabilities</b>			
Payable to the Management Company	731	-	731
Payable to Central Depository Company of Pakistan Limited - Trustee	128	-	128
Payable against redemption of units	1	-	1
Accrued expenses and other liabilities	732	-	732
	<u>1,592</u>	<u>-</u>	<u>1,592</u>



## AL HABIB INCOME FUND

### 26 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2023	2022
	(Percentage)	
<b>Broker name</b>		
Optimus Market (Pvt) Limited	45.40%	40.65%
Next Capital Limited	3.64%	19.54%
Invest One Market Limited	12.46%	17.94%
BMA Capital Management Limited	8.20%	7.47%
Bank Islami Pakistan Limited	2.36%	6.71%
Continental Exchange (Pvt) Limited	21.38%	4.34%
Arif Habib Limited	4.20%	2.00%
Magenta Capital (Pvt) Limited	2.00%	1.35%
AKD	0.36%	0.00%
	<b>100.00%</b>	<b>100.00%</b>

### 27 PARTICULAR OF INVESTMENT COMMITTEE & FUND MANAGER

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasnani	Chief Operating Officer	CA-Affiliate	23
Mr. Ahmed Abbas	Fund Manager (Income Fund)	MCS & MBA (Finance)	22
Mr. Talha Akhter Siddiqui	Fund Manager (Equities)	M. Sc (Economics)	10
Mr. Muhammad Shayan	Manager Investments	MBA & CFA level II	4

27.1 Mr. Ahmed Abbas is also the Fund Manager of AL Habib Cash Fund, AL Habib Islamic Income Fund, AL Habib Money Market Fund, AL Habib Islamic Savings Fund, AL Habib Islamic Cash Fund, AL Habib Fixed Return Fund and AL Habib Islamic Munafa Fund.

### 28 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave Granted	
Mr. Abbas D.Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Ms. Zarine Aziz	4	3	1	96th Meeting
Mr. Imran Azim	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi	4	4	-	-

### 29 TOTAL EXPENSE RATIO (TER)

TER of the Fund for the year ended 30 June 2023 is 1.29% which include 0.14% representing government levies and SECP fee. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

### 30 GENERAL

#### 30.1 Corresponding figures

Corresponding figures have been re-arranged in these financial statements, whenever necessary to facilitate comparison and to conform with changes in presentation in the current year. No Significant rearrangements have been made in these financial statements during the current year.

#### 30.2 Date of authorisation for issue

These financial statements were authorized for issue on 17 August, 2023 by the Board of Directors of the Management Company.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Fund Objective

The investment objective of the AHIF and Allocation Plan(s) is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium- and short-term debt instruments while taking into account liquidity considerations.

### Fund Objective Achieved:

The Fund has achieved its stated objective.

### Performance Review:

The return of the fund for FY23 was 17.20%.

### Strategies and Policies Employed during the period under review:

The AHIF maintained strategy to get exposure in broadly diversified portfolio of high quality fixed and floating rate instruments with focus to maintain high liquidity in the fund while taking minimum risk.

### Fund Description

<b>Fund Type &amp; Category</b>	Open Ended - Income Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	June 2, 2007	<b>Management Fee</b>	Up to 10% of the gross earnings of the Scheme
<b>Benchmark</b>	Six (6) months KIBOR rates.	<b>Sales Load</b>	3% (Management has the discretion to reduce or waive load on any transaction)
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
<b>Risk Profile</b>	Medium (Principal at medium risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Fund Stability Rating</b>	AA(f) by PACRA
<b>Trustee</b>	Central Depository Company of Pakistan Limited.		

### Market Review:

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63
3 Years	19.47	13.45	6.02
5 Years	16.08	12.93	3.15

Policy Rate		
Date	Policy Rate	Change (Bps)
July 13, 2022	15	125
November 28, 2022	16	100
January 24, 2023	17	100
March 3, 2023	20	300
April 5, 2023	21	100
June 27, 2023	22	100

## Asset Allocation of Fund

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	0.29%	75.72%
T-Bills	45.76%	-
PIBs	42.92%	6.03%
TDR	-	7.60%
Sukuk	0.95%	5.08%
TFC	2.05%	3.70%
GoP Ijarah Sukuk	5.96%	-
Others	2.06%	1.86%

## Breakdown of Unit Holdings by Size:

Size of Unit Holding (Units)	# of Unit Holders
1-5000	264
5001-50000	61
50001-500000	27
500001-5000000	7
5000001-10000000	1
<b>Total</b>	<b>360</b>

## Income Distribution

AHIF made a total distribution of Rs.16.05 during FY23 in the form of dividend, the details of which are as follows;

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Oct-22	105.1749	101.0121	4.1628
Nov-22	102.6044	101.0121	1.5923
Dec-22	102.4083	101.0121	1.3962
Feb-23	103.3263	101.0121	2.3142
May-23	105.3555	101.0121	4.3434
Jun-23	103.2585	101.0121	2.2464

**During the period under question:**

There has been no significant change in the state of affairs of the Fund. Al Habib Income Fund does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During the year, 263,218,604 units valued Rs. 26.68 Bn. were sold, while 125,282,201 units valued Rs. 12.70 Bn. were redeemed resulting in to a net sale of 137,936,403 units valued Rs. 13.98 Bn. during the year.

**Unit Holder Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

**AHIF Performance at a Glance**

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	2.905	1,619
NAV per unit as at June 30 (Rs. )	101.2360	101.0121
Distribution during the year ended June 30 (Rs. )	16.05	10.02
Annual Return	17.20%	10.16%
Benchmark	18.35%	10.82%

**Disclosure:**

There are no material circumstances affecting unit holder interests.

**AL HABIB ASSET ALLOCATION FUND**  
**Annual Report**  
For the year ended June 30, 2023

## FUND'S INFORMATION

### Management Company

AL Habib Asset Management Limited

### Board of Directors of the Management Company

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

### Chief Financial Officer

Mr. Abbas Qurban

### Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasnani

### Audit Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

### Human Resource Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

### Auditors

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

### Legal Advisor

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

### Trustee

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

### Rating

AM2+ Management Company Quality  
Rating Assigned by PACRA.

### Bankers to the Fund

JS Bank Limited  
MCB Bank Limited  
Bank Al Habib Limited  
Dubai Islamic Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcPakistan.com

Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB ASSET ALLOCATION FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 AL Habib Asset Allocation Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

**Badiuddin Akber**

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi, September 28, 2023







EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

UAN: +9221 111 11 39 37 (EYFR)  
Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of AL Habib Asset Allocation Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **AL Habib Asset Allocation Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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



-:2:-

Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Equity Securities and Debt Instruments</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of Equity and debt investments which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of equity investments portfolio including review of custodian's statement, related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at 30 June 2023</li> <li>- We performed substantive audit procedures on year-end balance of debt investments portfolio including review of custodian's statement and valuations on the basis of prices determined by Mutual Funds Association of Pakistan (MUFAP).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investment portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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-:3:-

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

#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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-:4:-

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

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

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

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

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

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

**Chartered Accountants**

**Date:** 28 September 2023

**Karachi**

**UDIN Number:** AR202310191QFc79vVrX

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**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances	4	18,312	74,863
Investments	5	89,028	24,176
Profit and dividend receivable	6	195	513
Preliminary expenses and floatation costs	7	-	85
Advances, deposits and prepayments	8	2,289	4,117
<b>Total assets</b>		<b>109,824</b>	<b>103,754</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	15	222	122
Payable to Central Depository Company of Pakistan Limited - Trustee	9	21	12
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	20	20
Accrued expenses and other liabilities	11	3,523	685
<b>Total liabilities</b>		<b>3,786</b>	<b>839</b>
<b>Net assets</b>		<b>106,038</b>	<b>102,915</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>106,038</b>	<b>102,915</b>
<b>Contingencies and commitments</b>	12		
<b>(Number of Units)</b>			
<b>Number of units in issue (face value of units is Rs. 100 each)</b>		<b>1,112,380</b>	<b>1,081,312</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>95.33</b>	<b>95.18</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 (Rupees in '000)	2022
<b>Income</b>			
Profit on bank deposits	13	5,181	1,617
Markup on investments	14	6,250	139
Dividend income		3,505	7,168
Net loss on investments classified at fair value through profit or loss			
- Loss on sale of investments		(1,629)	(10,034)
- Net unrealised loss on revaluation of investments	5.1 & 5.2	(1,335)	(1,394)
		<u>(2,964)</u>	<u>(11,428)</u>
<b>Total income</b>		<b>11,972</b>	<b>(2,504)</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	15	1,136	2,025
Sindh Sales Tax on Management Company's remuneration	15.1	148	263
Expenses allocated by the Management Company	16	75	123
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	203	203
Sindh Sales Tax on trustee remuneration	9.1	26	26
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	20	20
Brokerage expense		172	393
Settlement and bank charges		310	389
Annual listing fee		25	25
Auditor's remuneration	17	321	280
Amortization of preliminary expenses and floatation costs	7	85	238
Printing charges		67	74
Fees and subscription		126	255
<b>Total expenses</b>		<b>2,714</b>	<b>4,314</b>
<b>Net income / (loss) from operating activities</b>		<b>9,258</b>	<b>(6,818)</b>
Reversal for Sindh Workers Welfare Fund		-	410
		<u>9,258</u>	<u>(6,408)</u>
Taxation	18	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>9,258</b>	<b>(6,408)</b>
<b>Allocation of net income / (loss) for the year after taxation:</b>			
- Net income for the year after taxation		9,258	-
- Income already paid on units redeemed		(576)	-
		<u>8,682</u>	<u>-</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		-	-
- Excluding capital gains		8,682	-
		<u>8,682</u>	<u>-</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	(Rupees in '000)	
<b>Net income / (loss) for the year after taxation</b>	<b>9,258</b>	<b>(6,408)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b><u>9,258</u></b>	<b><u>(6,408)</u></b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Note	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
<b>Net assets at the beginning of the year</b>	112,842	(9,927)	102,915	112,468	(3,519)	108,949
<b>Issuance of 522,246 units (2022: 1,643,205 units)</b> including additional units 8,005 (2022: 17,679 units) issued at nil value as capital refund						
- Capital value	43,289	-	43,289	169,792	-	169,792
- Element of income	7,195	-	7,195	(6,150)	-	(6,150)
Amount received / receivable on issuance of units	50,484	-	50,484	163,642	-	163,642
<b>Redemption of 491,178 units (2022: 1,616,264 units)</b>						
- Capital Value	(48,286)	-	(48,286)	(167,009)	-	(167,009)
- Element of loss	1,522	(576)	946	3,741	-	3,741
Amount paid on redemption of units	(46,764)	(576)	(47,340)	(163,268)	-	(163,268)
<b>Total comprehensive income for the year</b>	-	9,258	9,258	-	(6,408)	(6,408)
<b>Interim distribution for the year ended 30 June 2023:</b> Rs. 8.8857/- per units (2022: Rs.nil per unit declared)	(762)	(8,517)	(9,279)	-	-	-
<b>Net income / (loss) for the year less distribution</b>	(762)	741	(21)	-	(6,408)	(6,408)
<b>Net assets at the end of the year</b>	<u>115,800</u>	<u>(9,762)</u>	<u>106,038</u>	<u>112,842</u>	<u>(9,927)</u>	<u>102,915</u>
<b>Undistributed income brought forward</b>						
- Realised loss		(8,533)			(8,142)	
- Unrealised gain / (loss)		(1,394)			4,623	
		(9,927)			(3,519)	
<b>Accounting income available for distribution</b>						
- Relating to capital gain		-			-	
- Excluding capital gain		8,682			-	
<b>Interim distribution for the year ended 30 June 2023:</b> Rs. 8.8857/- per units (2022: Rs.nil per unit declared)		(8,517)			-	
<b>Net income / (loss) for the year before taxation</b>		8,682			(6,408)	
<b>Undistributed loss carried forward</b>		<u>(18,444)</u>			<u>(9,927)</u>	
<b>Undistributed loss carried forward comprises of:</b>						
- Realised loss		(17,109)			(8,533)	
- Unrealised loss		(1,335)			(1,394)	
		<u>(18,444)</u>			<u>(9,927)</u>	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		<u>95.18</u>			<u>103.33</u>	
<b>Net assets value per unit at end of the year</b>		<u>95.33</u>			<u>95.18</u>	

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the year before taxation		9,258	(6,408)
<b>Adjustments for:</b>			
Net unrealised loss on revaluation of investments		1,335	1,394
Profit on bank deposits		(5,181)	(1,617)
Markup on investments		(6,250)	(139)
Dividend income		(3,505)	(7,168)
Amortization of preliminary expenses and floatation costs		85	238
		(4,258)	(13,700)
<i>(Increase) / decrease in assets</i>			
Investments		(66,187)	66,795
Advances, deposits and prepayments		1,828	(3)
		(64,359)	66,792
<i>Increase / (Decrease) in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		100	(81)
Payable to Central Depository Company of Pakistan Limited - Trustee		9	(8)
Payable to Securities and Exchange Commission of Pakistan (SECP)		-	1
(Reversal) / Provision for Sindh Workers' Welfare Fund		-	(410)
Payable against purchase of investments		-	(326)
Accrued expenses and other liabilities		2,838	(386)
		2,947	(1,210)
Profit on bank deposits received		5,500	1,194
Markup received on investments		6,250	139
Dividend income received		3,504	7,425
<b>Net cash (used in) / generated from operating activities</b>		<b>(50,416)</b>	<b>60,640</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issuance of units		50,484	163,642
Amount paid on redemption of units		(47,340)	(163,268)
Dividend paid		(9,279)	-
<b>Net cash (used in) / generated from financing activities</b>		<b>(6,135)</b>	<b>374</b>
Net (decrease) / increase in cash and cash equivalents during the year		(56,551)	61,014
Cash and cash equivalents at beginning of the year		74,863	13,849
Cash and cash equivalents at end of the year		<b>18,312</b>	<b>74,863</b>
<b>Cash and cash equivalents comprise of :</b>			
Bank balances	4	<b>18,312</b>	<b>74,863</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** AL Habib Asset Allocation Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on August 06, 2017 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 26 July 2017 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on 15 October 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

**1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan.

The Fund is an open ended mutual fund and is listed on the Pakistan Stock Exchange (PSX). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

**1.3** The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the Fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company.

**1.4** The Fund has been categorized as an Open-End Asset Allocation Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan (SECP) for categorisation of Collective Investment Schemes (CIS).

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

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**2.2 New / Revised Standards, Interpretations and Amendments**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets and provision under uncertain circumstances such as taxes recoverable as disclosed in note 08 respectively.

**2.5 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that investments which are required to be stated at fair value.

**2.6 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand rupees.

**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of ninety days or less.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

#### 3.2.2 Classification

##### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

##### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

#### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

#### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### 3.2.5 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

**Debt investments at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.'

**Debt investments at FVTPL**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.

**Equity instruments at FVOCI**

Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

**Equity investments at FVTPL**

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Debt securities (Government securities)**

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

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

### 3.2.6 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 3.2.7 Impairment of financial assets

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

### **3.2.8 Regular way contracts**

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

### **3.2.9 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### **3.2.10 Offsetting of financial instruments**

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

### **3.3 Financial liabilities**

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

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

### **3.4 Unit holders' Fund**

Unit holders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.5 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

### **3.6 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at



which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

### **3.7 Net asset value - per unit**

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

### **3.8 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

### **3.9 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

### **3.10 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### **3.11 Expenses**

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

### **3.12 Provisions**

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

### **3.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 08 November 2017 as per the Trust Deed of the Fund.

### **3.14 Distribution**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

## AL HABIB ASSET ALLOCATION FUND

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

### 3.15 Earnings per unit (EPU)

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the Management, determination of weighted average units for calculating EPU is not practicable.

### 4 BANK BALANCES

	Note	2023 (Rupees in '000)	2022
Savings accounts	4.1	18,312	74,607
Current accounts		-	256
		<u>18,312</u>	<u>74,863</u>

- 4.1 The profit rates effective at year end on these accounts range from 15.50% to 20.50% (30 June 2022: 12.25% to 15.50%) per annum. It also includes balance of Rs. 14,361,961 with Bank AL Habib Limited (ultimate parent), a related party with profit rate effective at year end is 20.00%.

### 5 INVESTMENTS

	Note	2023 (Rupees in '000)	2022
<b>At fair value through profit or loss</b>			
Listed equity securities	5.1	18,011	24,176
Government Securities	5.2	71,017	-
		<u>89,028</u>	<u>24,176</u>

#### 5.1 Listed equity securities

Name of the Investee	As at 01 July 2022	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2023	Carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
Note	(Number of shares)					(Rupees in '000)			%		
Banks											
Bank Alfalah Limited	-	150,000	-	100,000	50,000	1,750	1,522	(228)	1.44%	1.71%	0.00%
Bank AL Habib Limited	5.1.1	36,500	-	36,500	-	-	-	-	0.00%	0.00%	0.00%
Bank Islami Pakistan Limited	5.1.1	45,000	-	45,000	-	-	-	-	0.00%	0.00%	0.00%
Faysal Bank Limited	-	40,000	-	40,000	-	-	-	-	0.00%	0.00%	0.00%
MCB Bank Limited	-	14,000	-	2,000	12,000	1,434	1,374	(60)	1.30%	1.54%	0.00%
Meezan Bank Limited	5.1.1	45,000	-	4,500	13,500	3,698	3,109	(589)	2.93%	3.49%	0.00%
Total		126,500	204,000	4,500	237,000	6,882	6,005	(877)	5.67%	6.74%	0.00%
Fertilizer											
Engro Corporation Limited	-	5,000	6,000	-	4,000	7,900	1,819	(71)	1.72%	2.04%	0.00%
Engro Fertilizer Limited	-	10,000	16,186	-	3,786	22,400	1,849	2	1.74%	2.08%	0.00%
Fauji Fertilizer Company Limited	-	18,000	-	-	18,000	1,819	1,772	(47)	1.67%	1.99%	0.00%
Total		33,000	22,186	-	7,786	5,556	5,440	(116)	5.13%	6.11%	0.00%
Glass & Ceramics											
Tariq Glass Industries Limited	-	2,500	-	625	3,125	-	-	-	0.00%	0.00%	0.00%
Total		2,500	-	625	3,125	-	-	-	0.00%	0.00%	0.00%
Cement											
Cherat Cement Limited	-	15,000	-	10,000	5,000	613	601	(12)	0.57%	0.68%	0.00%
Fauji Cement Company Limited	-	75,000	-	75,000	-	-	-	-	0.00%	0.00%	0.00%
Kohat Cement Company Limited	-	10,000	-	7,000	3,000	516	520	4	0.49%	0.58%	0.00%
Lucky Cement Company Limited	-	8,000	-	8,000	-	-	-	-	0.00%	0.00%	0.00%
Maple Leaf Cement Company Limited	-	105,000	-	65,000	40,000	1,160	1,133	(27)	1.07%	1.27%	0.00%
Total		213,000	-	165,000	48,000	2,289	2,254	(35)	2.13%	2.53%	0.00%
Engineering											
Amreli Steel	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Mughal Iron & Steels Ind Ltd	-	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
Total		50,000	-	50,000	-	-	-	-	0.00%	0.00%	0.00%

## AL HABIB ASSET ALLOCATION FUND

Name of the Investee	As at 01 July 2022	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2023	Carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealized gain / (loss)	Market Value as a Percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investments	
Note	(Number of shares)					(Rupees in '000)			%		
Oil and Gas Exploration Companies											
Mari Gas Company Limited	1,800	-	-	-	1,800	-	-	-	0.00%	0.00%	0.00%
Oil & Gas Development Company Limited	-	52,000	-	52,000	-	-	-	-	0.00%	0.00%	0.00%
Pakistan Oilfields Limited	18,000	4,000	-	13,000	9,000	3,679	3,616	(63)	3.41%	4.06%	0.00%
Pakistan Petroleum Limited	-	62,000	-	62,000	-	-	-	-	0.00%	0.00%	0.00%
Total	19,800	118,000	-	127,000	10,800	3,679	3,616	(63)	3.41%	4.06%	0.00%
Oil and Gas Marketing Companies											
Attock Petroleum Limited	-	11,000	2,750	13,750	-	-	-	-	0.00%	0.00%	0.00%
Sui Northern Gas Company Limited	-	25,000	-	25,000	-	-	-	-	0.00%	0.00%	0.00%
Total	-	36,000	2,750	38,750	-	-	-	-	0.00%	0.00%	0.00%
Power Generation & Distribution											
Hub Power Company Limited	-	20,000	-	10,000	10,000	686	696	10	0.66%	0.78%	0.00%
	-	20,000	-	10,000	10,000	686	696	10	0.66%	0.78%	0.00%
Technology and Communication											
Avencion Limited	-	13,000	-	13,000	-	-	-	-	0.00%	0.00%	0.00%
Netsol Technologies	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Systems Limited	2,500	5,500	-	8,000	-	-	-	-	0.00%	0.00%	0.00%
TPL Trakker Limited	35,000	-	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Total	37,500	53,500	-	91,000	-	-	-	-	0.00%	0.00%	0.00%
Chemical											
Lotte Chemical Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Dynea Pakistan Limited	2,600	-	-	2,600	-	-	-	-	0.00%	0.00%	0.00%
Total	2,600	35,000	-	37,600	-	-	-	-	0.00%	0.00%	0.00%
Total as at 30 June 2023	221,900					19,092	18,011	(1,081)			
Total as at 30 June 2022	1,339,980					25,570	24,176	(1,394)			

**5.1.1** Following Shares were pledged with National Clearing Company Pakistan Limited (NCCPL) as collateral against exposure margin and mark to market losses:

	2023	2022
	Number of shares	
Bank AL Habib	-	36,500
Bank Islami Pakistan Limited	-	25,000
Meezan Bank Limited	32,000	32,000
	<b>32,000</b>	<b>36,500</b>

## 5.2 Government securities - Market Treasury Bills

Issue date	Face Value				As at 30 June 2022			Market Value as a Percentage of	
	As at 01 July 2021	Purchased during the year	Sold / Matured during the year	As at 30 June 2022	Carrying value	Market value	Unrealised loss	Net assets	Total investments
(Rupees in '000)									
<b>Treasury bills - 3 months</b>									
15-Jun-2023	-	14,800	-	14,800	71,108	71,017	(91)	66.97%	79.77%
6-Apr-2023	-	14,600	14,600	-	-	-	-	-	-
9-Mar-2023	-	14,600	14,600	-	-	-	-	-	-
28-Jul-2023	-	10,000	10,000	-	-	-	-	-	-
<b>Total as at 30 June 2023</b>					<b>71,108</b>	<b>71,017</b>	<b>(91)</b>		
Total as at 30 June 2022					-	-	-		

**5.2.1** Rate of return on the above treasury bills ranged from 15.63% to 22.69% per annum.

5.3 Net unrealised loss on revaluation of investments at fair value through profit or loss	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
Market value of investments		89,028	24,176
Less: Carrying value of investments		(90,200)	(25,570)
		<u>(1,172)</u>	<u>(1,394)</u>
<b>6 PROFIT AND DIVIDEND RECEIVABLE</b>			
Profit receivable on bank deposits		164	483
Dividend receivable		31	30
		<u>195</u>	<u>513</u>
<b>7 PRELIMINARY EXPENSES AND FLOATATION COSTS</b>			
Preliminary expenses and floatation costs incurred	7.1	85	323
Amortization for the year		(85)	(238)
Balance as at year end		-	85
7.1 This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of five years effective from 08 November 2017.			
<b>8 ADVANCES, DEPOSITS AND PREPAYMENTS</b>			
Note		2023 (Rupees in '000)	2022 (Rupees in '000)
Security Deposit with National Clearing Company of Pakistan Limited (NCCPL)		1,000	2,750
Security Deposit with Central Depository Company of Pakistan Limited (CDC)		100	100
Advance tax	8.1	1,188	1,140
Prepayments		1	127
		<u>2,289</u>	<u>4,117</u>
8.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001.			
For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.			
<b>9 PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED (CDC) - TRUSTEE</b>			
The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been calculated as per following applicable tariff during the year and 30 June 2023:			
<b>Net Assets (Rs.)</b>			
- Up to 1 billion		0.20% per annum of net asset value.	
- Over 1 billion		Rs. 2 million plus 0.10% per annum of net assets on amount exceeding Rs. 1,000 million.	
9.1 Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the trustee's remuneration charged during the year.			
<b>10 ANNUAL FEE PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>			
This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% (30 June 2022: 0.02%) of net assets. in accordance with regulation 62 of the NBFC Regulations.			

**11 ACCURED EXPENSES AND OTHER LIABILITIES**

	2023	2022
	(Rupees in '000)	
Auditors' remuneration	306	181
Settlement charges	44	53
Withholding tax	1,296	71
Brokerage payable	-	301
Dividend payable	1,778	-
Others	99	79
	<u>3,523</u>	<u>685</u>

**12 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

**13 PROFIT ON BANK DEPOSITS**

Saving accounts	<u>5,181</u>	<u>1,617</u>
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**14 MARKUP ON INVESTMENTS****Mark-up / return on:**

Term Finance Certificates and Sukuk Certificates	730	4,583
Government Securities	<u>5,520</u>	<u>139</u>
	<u>6,250</u>	<u>139</u>

**15 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 2% of average annual net assets in case of Asset Allocation scheme. The Management Company has charged remuneration at the rate of 2% (30 June 2022: 2%). The remuneration is paid to the Management Company on monthly basis in arrears.

**15.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Management company's remuneration charged during the year.

**16 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged Rs. 0.075 million (30 June 2022: Rs.0.123 million) to the Fund.

**17 AUDITORS' REMUNERATION**

	2023	2022
	(Rupees in '000)	
Annual audit fee	193	165
Half yearly review fee	95	99
Out of pocket expenses	<u>33</u>	<u>16</u>
	<u>321</u>	<u>280</u>

**18 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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than 90% of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2023.

**19 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value' is 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

## AL HABIB ASSET ALLOCATION FUND

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

According to the amendments to IFRS 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2023	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investment - Listed equity securities	5.1	18,011	-	-	18,011	18,011	-	-	18,011
Investment - Government securities	5.2	71,017	-	-	71,017	-	-	-	-
<b>Financial assets - not measured at fair value</b>									
Bank balances	19.1	-	18,312	-	18,312	-	-	-	-
Profit and dividend receivable	4	-	195	-	195	-	-	-	-
Preliminary expenses and floatation costs	6	-	-	-	-	-	-	-	-
Advances, deposits and prepayments	7	-	-	-	-	-	-	-	-
	8	-	1,101	-	1,101	-	-	-	-
		89,028	19,608	-	108,636	18,011	-	-	18,011
<b>Financial liabilities - not measured at fair value</b>									
	19.1	-	-	-	-	-	-	-	-
Payable to AL Habib Asset Management Limited - Management Company	15	-	-	222	222	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	21	21	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	20	20	-	-	-	-
Provision for Sindh Workers' Welfare Fund	11	-	-	-	-	-	-	-	-
Payable against purchase of investments		-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	12	-	-	2,227	2,227	-	-	-	-
		-	-	2,490	2,490	-	-	-	-
		Carrying amount				Fair value			
		Fair value through profit or loss	Amortised Cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
30 June 2022	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investment - Listed equity securities	5.2	24,176	-	-	24,176	24,176	-	-	24,176
<b>Financial assets - not measured at fair value</b>									
Bank balances	19.1	-	74,863	-	74,863	-	-	-	-
Profit and dividend receivable	4	-	513	-	513	-	-	-	-
Preliminary expenses and floatation costs	6	-	85	-	85	-	-	-	-
Receivable against sale of units	7	-	-	-	-	-	-	-	-
Advances, deposits and prepayments	8	-	2,977	-	2,977	-	-	-	-
		24,176	78,438	-	102,614	24,176	-	-	24,176
<b>Financial liabilities - not measured at fair value</b>									
	19.1	-	-	-	-	-	-	-	-
Payable to Habib AL Asset Management Limited - Management Company	15	-	-	122	122	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	12	12	-	-	-	-
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	-	-	20	20	-	-	-	-
Payable against purchase of investment		-	-	-	-	-	-	-	-
Accrued expenses and other liabilities	12	-	-	614	614	-	-	-	-
		-	-	768	768	-	-	-	-

19.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 20 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against sale of units -----	Payable against redemption of units (Rupees in '000)	Total -----
Opening balance as at 01 July 2022	-	-	-
Receivable against sale of units	163,232	-	163,232
Payable against redemption of units	-	(163,268)	(163,268)
	163,232	(163,268)	(36)
Amount received on issuance of units	(163,232)	-	(163,232)
Amount paid on redemption of units	-	163,268	163,268
	(163,232)	163,268	36
<b>Closing balance as at 30 June 2023</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 21 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS (RELATED PARTIES)

## Connected persons / related parties include:

S.No	Company Name	Relationship
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	AL Habib Capital Market (Private) Limited	Subsidiary of Bank AL Habib Limited
4	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Islamic Saving Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties include directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above related parties.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.



	2023	2022
Details of the transactions with connected persons / related parties	(Rupees in '000)	
<b>Bank AL Habib Limited</b>		
- Dividend paid	<u>1,778</u>	<u>-</u>
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management company remuneration	<u>1,136</u>	<u>2,025</u>
- Sindh sales tax	<u>148</u>	<u>263</u>
- Expenses allocated	<u>75</u>	<u>123</u>
- Dividend paid	<u>7,479</u>	<u>-</u>
<b>AL Habib Capital Markets (Private) Limited- Brokerage House</b>		
- Brokerage	<u>31</u>	<u>77</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration to the Trustee	<u>203</u>	<u>188</u>
- Sindh sales tax	<u>26</u>	<u>24</u>
Details of balances with connected persons at year end are as follows:		
<b>Bank AL Habib Limited</b>		
- Equity securities	<u>-</u>	<u>2,119</u>
- Bank balance	<u>16,240</u>	<u>6</u>
<b>AL Habib Asset Management Limited - Management Company</b>		
- Remuneration payable (inclusive of Sindh Sales Tax)	<u>222</u>	<u>122</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable (Inclusive of Sindh sales tax)	<u>20</u>	<u>12</u>
- Security deposit - Non interest bearing	<u>100</u>	<u>100</u>

**Sale / Redemption of Units**

	2023		2022	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
- AL Habib Asset Management Limited	<u>522,053</u>	<u>51,457</u>	<u>1,255,835</u>	<u>126,548</u>
<b>Connected Party holding 10% or more of the units in issue:</b>	<u>-</u>	<u>-</u>	<u>365,297</u>	<u>34,790,545</u>
<b><u>Units redeemed by:</u></b>				
<b>Management Company</b>				
- AL Habib Asset Management Limited	<u>-</u>	<u>-</u>	<u>1,466,937</u>	<u>147,969</u>

<b>Units held by:</b>	<b>2023</b>		<b>2022</b>	
	<b>(Units)</b>	<b>(Rupees in '000)</b>	<b>(Units)</b>	<b>(Rupees in '000)</b>
<b>Management Company</b>				
- AL Habib Asset Management Limited	<b>909,713</b>	<b>86,718</b>	387,660	36,896
<b>Parent Company</b>				
- Bank AL Habib Limited	<b>200,149</b>	<b>19,079</b>	200,149	19,049
<b>Other related parties</b>				
- Key executive of the Management Company	-	-	4	-
<b>Connected Party holding 10% or more of the units in issue:</b>	-	-	365,297	34,768

## 22 FINANCIAL RISK MANAGEMENT

### Introduction and overview

The Fund primarily invests in high quality TFC's, Sukuks and Government Securities, quoted equity securities and short term money market instruments. Such investments are subject to varying degrees of risk. These risks emanate from various factors that include, but are not limited to:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

### Risk management framework

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board of Directors of Management Company. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

### 22.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from bank balances, investment in debt securities, profit receivable and deposits.

### Management of credit risk

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

**Exposure to credit risk**

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Statement of assets and liabilities</b>	<b>Maximum exposure</b>	<b>Statement of assets and liabilities</b>	<b>Maximum exposure</b>
	<b>(Rupees in '000)</b>		<b>(Rupees in '000)</b>	
Bank balances	18,312	18,312	74,863	74,863
Investments	89,028	-	24,176	-
Profit and dividend receivable	195	195	513	513
Preliminary expenses and floatation costs	-	-	85	-
Advances, deposits and prepayments	2,289	1,101	4,117	2,977
	<b>109,824</b>	<b>19,608</b>	<b>103,754</b>	<b>78,353</b>

Differences in the balances as per the statement of assets & liabilities and maximum exposures in investments were due to the fact that investments of Rs. 89.09 million (2022: 24.176 million) relate to investment in quoted equity securities which are not considered to carry credit risk.

None of the above financial assets were considered to be past due or impaired as on 30 June 2023.

**Credit ratings and Collaterals**

Credit risk arising on debt securities is mitigated by investing primarily in investment grade rated instruments published by MUFAP and as determined by Pakistan Credit Rating Agency or VIS.

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

	<b>2023</b>	<b>2022</b>
	<b>(Percentage)</b>	
<b>Ratings</b>		
A- to A+	0.69%	4.21%
AA	4.64%	95.38%
AAA	94.67%	0.41%
BBB-	0.00%	0.00%
	<b>100.00%</b>	<b>100.00%</b>

Cash is held only with reputable banks with high quality external credit enhancements.

Fund's financial assets are in quoted equity investments which are not exposed to credit risk.

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 16.42% (30 June 2022: 23.30%) of the Fund's financial assets are in quoted equity investments which are not exposed to credit risk.

As at year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	<b>2023</b>		<b>2022</b>	
	<b>(Rupees in '000)</b>	<b>(Percentage)</b>	<b>(Rupees in '000)</b>	<b>(Percentage)</b>
Commercial Banks	18,312	93.40%	74,863	95.70%
Profit receivable	164	0.84%	483	0.62%
Dividend receivable	31	0.16%	30	0.04%
NCCPL - Security Deposit	1,000	5.10%	2,750	3.52%
CDC- Security Deposit	100	0.50%	100	0.12%
	<b>19,607</b>	<b>100.00%</b>	<b>78,226</b>	<b>100.00%</b>

**Past due and impaired assets**

None of the financial assets of the Fund are past due / impaired. No provisions have been booked during the year.

**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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

**22.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

**Management of Liquidity Risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

**Maturity analysis of financial liabilities**

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.

22.2.1 The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	30 June 2023			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
<b>Non-derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	222	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	21	21	-	-
Payable against purchase of shares				
Accrued expenses and other liabilities	2,227	1,921	306	-
	<b>2,470</b>	<b>1,942</b>	<b>306</b>	<b>-</b>
Unit holders' Fund	<b>106,038</b>	<b>106,038</b>	<b>-</b>	<b>-</b>
	30 June 2022			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
<b>Non-derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	122	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	12	12	-	-
Payable against purchase of shares	-	-	-	-
Accrued expenses and other liabilities	614	132	482	-
	<b>748</b>	<b>144</b>	<b>482</b>	<b>-</b>
Unit holders' Fund	<b>102,915</b>	<b>102,915</b>	<b>-</b>	<b>-</b>

**22.3 Market risk**

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

***Management of market risks***

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. Fund is exposed to interest rate risk only.

***Foreign currency risk***

Foreign 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 Pak Rupees.

***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Saving Accounts, Margin Trading System and Treasury bills. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

As at 30 June 2023 the investment in Market treasury bills exposed to interest rate risk is detailed in note 5.2.

As at year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023	2022
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances - savings accounts	<u>18,312</u>	<u>74,607</u>

None of the financial liabilities carry any interest rate risk.

**a) Cash flow Sensitivity analysis for variable rate instruments**

In case of change of 100 basis point in KIBOR, the net assets of the Fund would have been lower / higher by Rs. 0.183 million (30 June 2022: Rs. 0.746 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

**b) Fair value Sensitivity analysis for fixed rate instruments**

As at 30 June 2023 the Fund is not exposed to fair value interest rate risk.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2023	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	One year and above	Total
(Rupees in '000)							
<b>On-balance sheet financial assets</b>							
<i>Financial assets</i>							
Bank balances	15.50% - 20.50%	18,312	-	-	-	-	18,312
Investments	15.63%-22.69%	-	-	-	89,028	-	89,028
Profit and dividend receivable		-	-	-	195	-	195
Advances, deposits and prepayments		-	-	-	1,101	-	1,101
<b>Total financial assets</b>		<b>18,312</b>	<b>-</b>	<b>-</b>	<b>90,324</b>	<b>-</b>	<b>108,636</b>
<i>Financial liabilities</i>							
Payable to the AL Habib Asset Management Limited - Management Company		-	-	-	222	-	222
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	21	-	21
Payable against purchase of shares		-	-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	2,227	-	2,227
<b>Total Financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>2,470</b>	<b>-</b>	<b>2,470</b>
<b>On-balance sheet gap</b>		<b>18,312</b>	<b>-</b>	<b>-</b>	<b>87,854</b>	<b>-</b>	<b>106,166</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
30 June 2022	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	Not exposed to profit rate risk	One year and above	Total
(Rupees in '000)							
<b>On-balance sheet financial assets</b>							
<i>Financial assets</i>							
Bank balances	12.25% - 15.50%	74,863	-	-	-	-	74,863
Investments		-	-	-	24,176	-	24,176
Profit and dividend receivable		-	-	-	513	-	513
Advances, deposits and prepayments		-	-	-	2,977	-	2,977
<b>Total assets</b>		<b>74,863</b>	<b>-</b>	<b>-</b>	<b>27,666</b>	<b>-</b>	<b>102,529</b>
<i>Financial liabilities</i>							
Payable to the AL Habib Asset Management Limited - Management Company		-	-	-	122	-	122
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	12	-	12
Payable against purchase of shares		-	-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	614	-	614
<b>Total Financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>748</b>	<b>-</b>	<b>748</b>
<b>On-balance sheet gap</b>		<b>74,863</b>	<b>-</b>	<b>-</b>	<b>26,918</b>	<b>-</b>	<b>101,781</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 22.4 Price Risk

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

The Fund also manages its exposure to price risk by analysing the investment portfolio by industrial sectors and benchmarking the sector weighting to that of the KSE-100 Index. The Fund's policy is to concentrate the investment portfolio in sectors where management believe the Fund can maximise the returns derived for the level of risk to which the Fund is exposed. The table below is a summary of the significant sector concentrations within the equity portfolio.

**23 PATTERN OF UNIT HOLDING**

Unit holding pattern of the fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	79	2,518	241	0.23%
Associated companies and Directors	2	1,109,862	105,797	99.77%
Other	-	-	-	0.00%
	<b>81</b>	<b>1,112,380</b>	<b>106,038</b>	<b>100.00%</b>

Unit holding pattern of the fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	88	390,005	37,119	8.48%
Associated companies and Directors	1	200,149	19,049	74.32%
Others	2	491,157	46,747	17.20%
	<b>91</b>	<b>1,081,311</b>	<b>102,915</b>	<b>100.00%</b>

**24 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID**

	2023 (Percentage)	2022
Next Capital Limited	24.06%	5.74%
Al-Habib Capital Market (Pvt) Limited	21.67%	19.50%
DJM Securities Limited	15.05%	9.47%
Habib Metropolitan Financial Services Limited	9.60%	5.01%
Arif Habib Limited	7.42%	13.72%
Optimus Market Private Limited	6.59%	19.96%
Topline Securities (Pvt) Limited	5.32%	5.73%
BMA Capital Management Limited	5.26%	4.17%
Ismail Iqbal Securities (Pvt) Limited	3.35%	4.78%
Taurus Securities Limited	1.68%	11.92%
	<b>100.00%</b>	<b>100.00%</b>

**25 FINANCIAL INSTRUMENTS BY CATEGORY**

	2023		
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	18,312	-	18,312
Investments	-	89,028	89,028
Profit and dividend receivable	195	-	195
Preliminary expenses and floatation costs	-	-	-
Advances, deposits and prepayments	1,101	-	1,101
	<b>19,608</b>	<b>89,028</b>	<b>108,636</b>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	222	-	222
Payable to Central Depository Company of Pakistan Limited - Trustee	21	-	21
Accrued expenses and other liabilities	2,227	-	2,227
	<b>2,470</b>	<b>-</b>	<b>2,470</b>



	2022		
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	74,863	-	74,863
Investments	-	24,176	24,176
Profit and dividend receivable	513	-	513
Preliminary expenses and floatation costs	85	-	85
Advances, deposits and prepayments	2,977	-	2,977
	<u>78,438</u>	<u>24,176</u>	<u>102,614</u>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	122	-	122
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	12
Payable against purchase of investment	-	-	-
Accrued expenses and other liabilities	614	-	614
	<u>748</u>	<u>-</u>	<u>748</u>

**26 INVESTMENT COMMITTEE**

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA-IBA	22
Mr. Zahid Hussain Vasanani	Chief Operating Officer & Company Secretary	CA Affiliate	23
Mr. Talha A. Siddiqui	Fund Manager	Post Graduate - Economics	6

**26.1** Mr. Talha Akhtar Siddiqui is also Fund Manager of AL Habib Islamic Stock Fund and AL Habib Stock Fund.

**27 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mr. Abbas D. Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Mr. Imran Azim	4	3	1	96th Meeting
Ms. Zarine Aziz	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi (CEO)	4	4	-	-

**28 TOTAL EXPENSE RATIO (TER)**

TER of the Fund for the year ended 30 June 2023 is 2.67% which includes 0.21% representing government levies and SECP fee. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an asset allocation scheme.

**28 GENERAL****28.1 Corresponding figures**

**28.1.1** Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to confirm with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

**28.2 Date of authorisation for issue**

These financial statements were authorized for issue by the Board of Directors of the Management Company on 17 August, 2023.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2023****Fund Objective:**

The objective of AHAAF is to provide risk adjusted competitive returns to its investor by investing in multiple asset classes based on market outlook.

**Fund Objective Achieved:**

The fund has achieved its stated objective.

**Performance Review:**

The return of the fund for FY23 was 9.51%.

**Strategies and Policies Employed during the period under review:**

The AHAAF maintained its strategy of reaping maximum benefits emanating from volatility experienced in both equity and debt markets. The selection criterion for equity securities is based upon hybrid investment approach with companies having sound financial history backed by strong fundamentals. The exposure in debt portion was also in line with the investment objectives with preference given to highly rated and liquid debt securities.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open Ended - Asset Allocation Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	December 08, 2017	<b>Management Fee</b>	2% per annum of average daily net assets.
<b>Benchmark</b>	Weighted average daily return of KSE - 100 & 6M KIBOR	<b>Sales Load</b>	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm	<b>Minimum Investment</b>	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Pricing Mechanism</b>	Forward Pricing
<b>Risk Profile</b>	High (Principal at High Risk)	<b>Trustee</b>	Central Depository Company of Pakistan Limited.

**Market Review:**

The benchmark KSE-100 exhibited a range bound trend for the Fiscal Year 2023 oscillating between 38,000 points and 42,000 points. The index posted a flat return of 0.33%, due to rising inflation caused by commodity super cycle, change in political leadership of the country and delay in approval of IMF's review. Conversion of capital from stock market to money market was witnessed on account of shift in SBP stance from accommodative to tightening the monetary policy by raising policy rate to 22%. Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the year end.

Average traded volume and value during FY23 stood at (192mn shares) and (USD 25mn), respectively. On sectoral basis, volumes were led by Technology (41.0mn shares), Power (15.8mn shares), Banks (15.6mn shares), Refinery (15.3mn shares), and OGMCS (15.0mn shares). Sector-wise value was led by Technology (USD 5.0mn), E&P (USD 2.9mn), Cement (USD 2.7mn), Banks (USD 2.2mn), and Refinery (USD 1.9mn).

Market sentiment is expected to remain neutral due to prevailing uncertainty on political and economic front. The resumption of IMF program is expected to attract more inflows from bilateral and multilateral which shall relieve pressure on currency and foreign reserves. Additionally, we view that headline CPI will start easing from Oct'23 onwards, due to high base effect of the prior year, leading a way to decrease in interest rates going forward which will support the KSE 100 index.

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY). This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

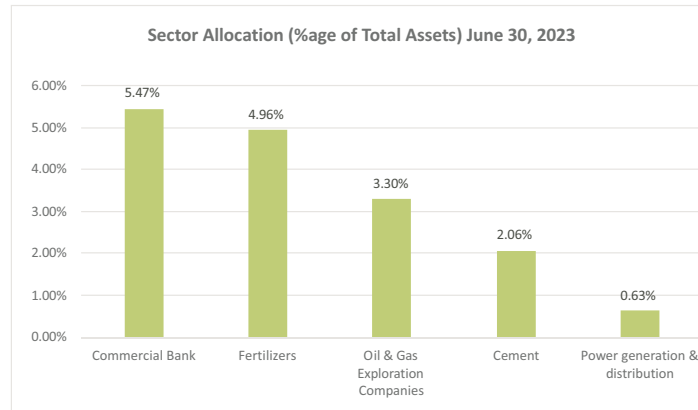
Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

#### Asset Allocation of Fund

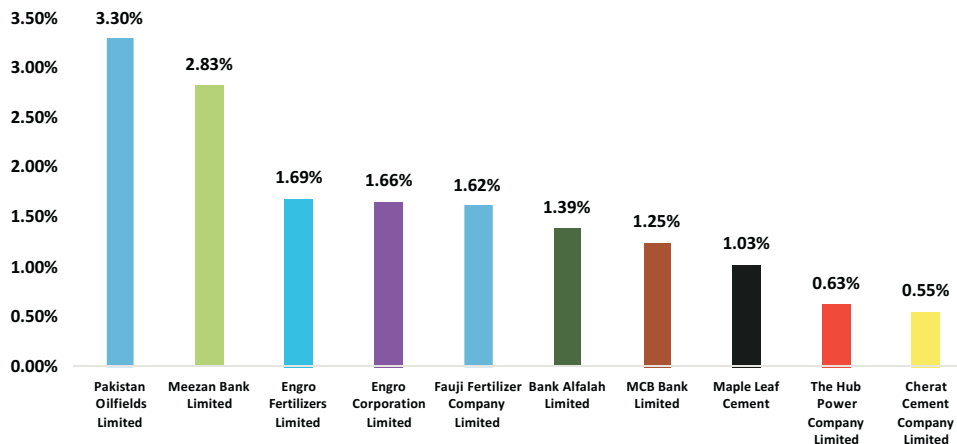
Particulars	As at June 30, 2023	As at June 30, 2022
Cash	13.88%	72.15%
T-Bills	64.74%	-
Equity	16.42%	23.30%
Others	4.97%	4.54%

#### Breakdown of Unit Holdings by Size:

Size of Unit Holding (Units)	# Of Unit Holders
1-1000	78
100001-500000	1
500001-1000000	1
<b>Total</b>	<b>80</b>



#### Top Ten holding (%age of Total Asset) June 30, 2023



## AL HABIB ASSET ALLOCATION FUND

### Income Distribution

AHAAF made a total distribution of Rs.8.8857 during FY23 in the form of dividend, the details of which is as follows;

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Jun-23	104.0622	95.1765	8.8857

### During the period under question:

There has been no significant change in the state of affairs of the Fund. Al Habib Asset Allocation Fund does not have any soft commission arrangement with any broker in the industry.

### Sales and Redemptions of Units

During the year ended June 30, 2023, 1,013,424 units valued Rs. 100.57 Mn. were sold while 491,178 units valued of Rs. 49.09 Mn. were redeemed resulting in to a net sale of 522,246 units valued Rs. 51.47 Mn.

### Unit Holders Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

### AHAAF Performance at a Glance

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	106.04	102.92
NAV per unit as at June 30 (Rs. )	95.32	95.1765
Distribution during the year ended June 30 (Rs. )	8.8857	-
Annual Return	9.51%	-7.89%
Benchmark	7.92%	-6.11%

### Disclosure:

There are no material circumstances affecting unit holder interests.

**AL HABIB STOCK FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

**Rating**

AM2+ Management Company Quality  
Rating Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
MCB Bank Limited  
National Bank of Pakistan Limited  
Dubai Islamic Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com

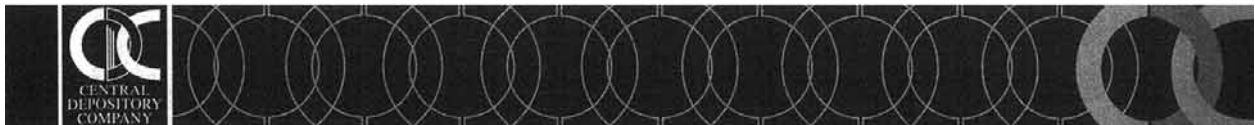
**TRUSTEE REPORT TO THE UNIT HOLDERS****AL HABIB STOCK FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of AL Habib Stock Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023







EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
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ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of AL Habib Stock Fund

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of **AL Habib Stock Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### Basis for Opinion

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

### Key Audit Matters

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

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-2:-

Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Equity Securities</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of listed shares which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at 30 June 2023.</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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-:4:-

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

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

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

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

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

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

**Chartered Accountants**

**Date:** 28 September 2023

**Karachi**

**UDIN Number:** AR202310191C9anKk8Y2

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**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances	4	3,394	27,388
Investments	5	105,183	87,033
Dividend and profit receivable	6	86	72
Receivable against sale of investment		5,452	6,478
Advances and deposits	7	1,318	2,792
<b>Total assets</b>		<b>115,433</b>	<b>123,763</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	15	-	233
Provision for Federal Excise Duty on remuneration of the Management Company	8	2,043	2,043
Payable to Central Depository Company of Pakistan Limited - Trustee	9	23	23
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	24	48
Accrued expenses and other liabilities	11	749	958
<b>Total liabilities</b>		<b>2,839</b>	<b>3,305</b>
<b>Net assets</b>		<b>112,594</b>	<b>120,458</b>
<b>Unit Holders' Fund (as per statement attached)</b>		<b>112,594</b>	<b>120,458</b>
<b>Contingencies and commitments</b>	12		
<b>(Number of units)</b>			
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>1,468,186</b>	<b>1,507,062</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>76.69</b>	<b>79.93</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Income</b>			
Profit on bank deposits	13	2,910	1,570
Dividend income		11,437	18,161
Net loss on investments designated at fair value through profit or loss			
- Net capital loss on sale of investments		(4,655)	(21,228)
- Net unrealised loss on revaluation of investments	5.1	(10,468)	(11,948)
		<u>(15,123)</u>	<u>(33,176)</u>
<b>Total loss</b>		<b>(776)</b>	<b>(13,445)</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	14	1,148	4,764
Sindh Sales Tax on Management Company's remuneration	14.1	149	619
Expenses allocated by the Management Company	15	-	259
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	235	476
Sindh Sales Tax on Trustee's remuneration	9.1	31	62
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	10	24	48
Brokerage expenses		479	1,241
Settlement and bank charges		352	411
Annual listing fee		28	30
Auditors' remuneration	16	491	337
Printing charges		65	65
<b>Total expenses</b>		<b>3,000</b>	<b>8,312</b>
<b>Net loss from operating activities</b>		<b>(3,776)</b>	<b>(21,757)</b>
Reversal for Sindh Worker's Welfare Fund		-	1,570
<b>Net loss for the year before taxation</b>		<b>(3,776)</b>	<b>(20,187)</b>
Taxation	17	-	-
<b>Net loss for the year after taxation</b>		<b>(3,776)</b>	<b>(20,187)</b>
<b>Allocation of net income for the year after taxation</b>			
Net loss for the year after taxation		-	-
Income already paid on units redeemed		-	-
		<u>-</u>	<u>-</u>
<b>Accounting income available for distribution:</b>			
- Relating to capital loss		-	-
- Excluding capital loss		-	-
		<u>-</u>	<u>-</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**STATEMENT OF COMPREHENSIVE INCOME**  
***FOR THE YEAR ENDED JUNE 30, 2023***

	2023	2022
	(Rupees in '000)	
Net loss for the year after taxation	(3,776)	(20,187)
Other comprehensive income for the year	-	-
<b>Total comprehensive loss for the year</b>	<b><u>(3,776)</u></b>	<b><u>(20,187)</u></b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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**Chief Executive Officer**

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**Chief Financial Officer**

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**Director**



**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023			2022		
	Capital Value	Undistributed income	Total	Capital Value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	177,793	(57,335)	120,458	271,621	(37,148)	234,473
Issuance of units 376,297 (2022: 2,492,448 units)						
Including additional Nil units issue at nil Vallue (30 June 2022 : 61,356)						
- Capital Value	30,077	-	30,077	222,326	-	222,326
- Element of loss	(2,218)	-	(2,218)	(413)	-	(413)
Amount received on issuance of units	27,859	-	27,859	221,913	-	221,913
Redemption of units 415,174 (2022: 3,614,016 units)						
- Capital Value	(33,185)	-	(33,185)	(322,370)	-	(322,370)
- Element of income	1,238	-	1,238	6,629	-	6,629
Amount paid on redemption of units	(31,947)	-	(31,947)	(315,741)	-	(315,741)
Total comprehensive loss for the year	-	(3,776)	(3,776)	-	(20,187)	(20,187)
Interim distribution for the year ended 30 June 2023:						
Rs. Nil per units (2022: Nil per unit declared)	-	-	-	-	-	-
Net loss for the year less distribution	-	(3,776)	(3,776)	-	(20,187)	(20,187)
Net assets at end of the year	173,705	(61,111)	112,594	177,793	(57,335)	120,458
Undistributed loss brought forward						
- Realised loss		(45,387)			(51,161)	
- Unrealised gain / (loss)		(11,948)			14,013	
		(57,335)			(37,148)	
Accounting income available for distribution:						
- Relating to capital gains	-			-		
- Excluding capital gains	-			-		
	-			-		
Net loss for the year before taxation		(3,776)			(20,187)	
Interim distribution for the year ended 30 June 2023:						
Rs. Nil per units (2022: NIL per unit declared)		-			-	
Undistributed loss carried forward		(61,111)			(57,335)	
Undistributed loss carried forward comprises of:						
- Realised loss		(50,642)			(45,387)	
- Unrealised loss		(10,468)			(11,948)	
		(61,111)			(57,335)	
	(Rupees)			(Rupees)		
Net assets value per unit at beginning of the year	79.93			89.20		
Net assets value per unit at end of the year	76.69			79.93		

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net loss for the year before taxation		(3,776)	(20,187)
<b>Adjustments for:</b>			
Profit on bank deposits		(2,910)	(1,570)
Dividend income		(11,437)	(18,161)
Net unrealised loss on revaluation of investments classified as 'at fair value through profit or loss'	5.1	10,468	11,948
		(7,655)	(27,970)
<i>(Increase) / Decrease in assets</i>			
Investments		(28,618)	127,108
Receivable against sale of units		-	622
Receivable against sale of investment		1,026	(6,458)
Advances and deposits		1,474	(3)
		(26,118)	121,269
<i>Decrease in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		(233)	(192)
Payable to Central Depository Company of Pakistan Limited - Trustee		-	(19)
Payable to Securities and Exchange Commission of Pakistan (SECP)		(24)	20
Provision for Sindh Workers' Welfare Fund		-	(1,570)
Accrued expenses and other liabilities		(209)	(602)
		(466)	(2,363)
Profit on bank deposit and dividend income received		14,333	20,770
<b>Net cash (used in) / generated from operating activities</b>		<b>(19,906)</b>	<b>111,706</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Amount received on issuance of units		27,859	221,913
Amount paid on redemption of units		(31,947)	(315,741)
<b>Net cash used in financing activities</b>		<b>(4,088)</b>	<b>(93,828)</b>
<b>Net (decrease) /increase in cash and cash equivalents during the year</b>		<b>(23,994)</b>	<b>17,878</b>
Cash and cash equivalents at beginning of the year		27,388	9,510
Cash and cash equivalents at end of the year		<b>3,394</b>	<b>27,388</b>
<b>Cash and cash equivalents comprise of :</b>			
Bank balances	4	3,394	27,388

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 AL Habib Stock Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 21 August 2008 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 11 August 2008 under Rule 67 of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on 15 October 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.
- 1.2 The Management Company of the Fund has been licensed to undertake Asset Management Services as Non Banking Finance Company under the NBFC Rules by the SECP. The registered office of the Management Company is situated at 3rd Floor, MacKinnon's Building, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3 The Fund has been categorized as an Open-End Asset Allocation Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS), and is listed on Pakistan Stock Exchange Limited (PSX). Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company .

- 1.4 The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

The policy of the fund is to invest in equity securities of listed companies, cash and near cash instruments. The Fund has been categorized as equity scheme.

Title of the assets of the Fund are held in the name of Central Depository Company (CDC) as a Trustee of the Fund.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of Compliance

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

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

#### 2.2 New / Revised Standards, Interpretations and Amendments

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these financial statements.

#### **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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized
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.	

### **2.3 Critical accounting estimates and judgments**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets and provision under uncertain circumstances such as taxes recoverable and Federal Excise Duty payable on remuneration of management company as disclosed in notes 07 and 08 respectively.

### **2.4 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that investments are required to be stated at fair value.

### **2.5 Functional and presentation currency**

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand rupees.

## **3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

### **3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of ninety days or less.

## 3.2 Financial assets

### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

### 3.2.2 Classification

#### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

#### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

**3.2.5 Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

**Debt investments at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

**Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.'

**Debt investments at FVTPL**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.

**Equity instruments at FVOCI**

Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

**Equity investments at FVTPL**

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (Government securities)**

The government securities are valued on the basis of rates announced by the Mutual Fund Association of Pakistan (MUFAP).

**b) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**3.2.6 Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**3.2.7 Impairment of financial assets**

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

**3.2.8 Regular way contracts**

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

### 3.2.9 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### 3.2.10 Offsetting of financial instruments

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

### 3.3 Financial liabilities

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

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

### 3.4 Provisions

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

### 3.5 Unit holders' Fund

Unit holders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### 3.6 Issuance and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

### 3.7 Element of income

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP) the refund of capital is made in the form of additional units at zero price. Income already paid on redemption of units during the year are taken separately in statement of movement in unitholders' fund.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in statement of movement in unitholders' fund.



**3.8 Net asset value - per unit**

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

**3.9 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realized or unrealized, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

**3.10 Revenue recognition**

- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Markup on deposits with banks is recognized using effective yield method.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

**3.11 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

**3.12 Expenses**

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

**3.13 Distributions**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP) distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital if any based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

**3.14 Earnings per unit (EPU)**

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

**4 BANK BALANCES**

	Note	2023 (Rupees in '000)	2022
Saving accounts	4.1	3,394	27,173
Current accounts		-	215
		<u>3,394</u>	<u>27,388</u>

- 4.1 The profit rates effective at year end on these accounts range from 12.5% to 19.75% (30 June 2022: 10.00% to 12.50%) per annum. It includes balance of Rs. 3.28 million (30 June 2022: Rs 27.03 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 19.75% (30 June 2022: 12.50%) per annum.

## 5 INVESTMENTS

2023 2022  
Note (Rupees in '000)

## At fair value through profit or loss

Quoted equity securities

5.1 **105,183** **87,033**

## 5.1 Quoted equity securities

Name of Investee		As at 01 July 2022	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2023	Cost / carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealised (loss) /gain	Market Value as a percentage of		Paid up capital of investee company (with face value of investment)
										Net Assets	Total Investment	
Note		(Number of shares)				(Rupees in '000)				(%)		
Unless stated otherwise, the holdings are in ordinary shares of Rs. 10 each.												
Commercial Banks												
Askari Bank Limited	5.1.1	89,000	-	-	89,000	-	-	-	-	0.00%	0.00%	0.00%
Bank Alfalah Limited		-	230,000	-	145,000	85,000	2,932	2,587	(345)	2.30%	2.46%	0.00%
Bank AL Habib Limited	5.1.1	26,000	-	-	3,000	23,000	1,335	994	(341)	0.88%	0.95%	0.00%
Faysal Bank Limited	5.1.1	130,000	50,000	-	90,000	90,000	2,385	1,816	(568)	1.61%	1.73%	0.01%
Habib Bank Limited	5.1.1	14,000	-	-	4,000	10,000	913	732	(181)	0.65%	0.70%	0.00%
Habib Metro Bank Limited	5.1.1	63,000	-	-	33,000	30,000	1,172	907	(265)	0.81%	0.86%	0.00%
MCB Bank Limited		-	28,000	-	10,000	18,000	2,152	2,060	(91)	1.83%	1.96%	0.00%
Meezan Bank Limited	5.1.1	65,000	35,000	9,000	29,000	80,000	8,240	6,910	(1,331)	6.14%	6.57%	0.01%
United Bank Limited	5.1.1	30,000	18,000	-	36,000	12,000	1,329	1,410	81	1.25%	1.34%	0.00%
		417,000	361,000	9,000	439,000	348,000	20,458	17,416	(3,041)	15.47%	16.56%	0.02%
Oil & Gas Marketing Companies												
Sui Nothern Gas Pipelines Limied		-	105,000	-	66,000	39,000	2,033	1,989	(44)	1.77%	1.89%	0.01%
Pakistan State Oil Company Limited		-	14,000	-	14,000	-	-	-	-	0.00%	0.00%	0.00%
Attock Petroleum Limited		-	12,500	3,125	9,000	6,625	1,587	1,535	(52)	1.36%	1.46%	0.01%
		-	131,500	3,125	89,000	45,625	3,620	3,524	(96)	3.13%	3.35%	0.02%
Engineering												
Mughal Iron and Steel Industries Limited		-	76,000	-	31,000	45,000	2,564	2,180	(385)	1.94%	2.07%	0.02%
Agha Steel Industries Limited		-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
Amreli Steel Limited		-	60,000	-	60,000	-	-	-	-	0.00%	0.00%	0.00%
		-	171,000	-	126,000	45,000	2,564	2,180	(385)	1.94%	2.07%	0.02%
Chemicals												
Lotte Chemical (Pak) Limited		-	90,000	-	90,000	-	-	-	-	0.00%	0.00%	0.00%
Dyneen Pakistan Limited		16,300	-	-	2,400	13,900	2,418	1,752	(667)	1.56%	1.67%	0.15%
Engro Polymer and Chemicals Limited		30,000	45,000	-	66,000	9,000	660	380	(279)	0.34%	0.36%	0.00%
Nimir Industrial Chemicals Limited		-	13,000	-	1,000	12,000	1,056	1,038	(18)	0.92%	0.99%	0.13%
		46,300	148,000	-	159,400	34,900	4,134	3,170	(964)	2.82%	3.02%	0.28%
Fertilizers												
Engro Fertilizers Limited	5.1.1	54,000	97,500	-	61,500	90,000	7,540	7,428	(112)	6.60%	7.06%	0.01%
Engro Corporation Limited	5.1.1	11,500	28,000	-	14,500	25,000	7,132	6,497	(635)	5.77%	6.18%	0.00%
Fauji Fertilizer Company Limited		36,000	25,382	-	20,382	41,000	4,343	4,036	(307)	3.58%	3.84%	0.00%
Fauji Fertilizer Bin Qasim Limited		15,000	-	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
		116,500	150,882	-	111,382	156,000	19,015	17,961	(1,054)	15.95%	17.08%	0.01%
Oil & Gas Exploration Companies												
Mari Petroleum Company Limited	5.1.1	4,300	700	-	2,100	2,900	4,909	4,392	(517)	3.90%	4.18%	0.00%
Oil and Gas Development Company Limited	5.1.1	70,000	76,000	-	98,000	48,000	4,129	3,744	(385)	3.33%	3.56%	0.00%
Pakistan Oilfields Limited		29,000	12,000	-	24,000	17,000	7,035	6,830	(205)	6.07%	6.49%	0.01%
Pakistan Petroleum Limited	5.1.1	35,000	140,000	-	113,000	62,000	4,275	3,667	(609)	3.26%	3.49%	0.00%
		138,300	228,700	-	237,100	129,900	20,348	18,633	(1,716)	16.56%	17.72%	0.01%
Glass & Ceramics												
Tariq Glass Industries Limited		17,000	47,000	-	22,000	42,000	3,078	2,860	(218)	2.54%	2.72%	0.03%
		17,000	47,000	-	22,000	42,000	3,078	2,860	(218)	2.54%	2.72%	0.03%
Miscellaneous												
Synthetic Products Enterprise Limited		35,000	-	-	-	35,000	493	364	(129)	0.32%	0.35%	0.04%
TPL Properties Limited		40,000	90,000	4,000	20,000	114,000	1,740	1,420	(319)	1.26%	1.35%	0.03%
		75,000	90,000	4,000	20,000	149,000	2,233	1,784	(449)	1.58%	1.70%	0.07%
Construction and Materials (Cement)												
Attock Cement Pakistan Limited		-	39,000	-	15,500	23,500	1,667	1,947	281	1.73%	1.85%	0.02%
Bestway Cement Limited		9,000	10,000	-	-	19,000	2,518	2,755	237	2.45%	2.62%	0.00%
Cherat Cement Pakistan Limited		9,000	46,000	-	33,569	21,431	2,557	2,578	21	2.29%	2.45%	0.01%
Fauji Cement Co Limited		50,000	255,000	17,500	122,500	200,000	2,603	2,352	(251)	2.09%	2.24%	0.01%
Gharibwal Cement Limited		90,000	-	-	-	90,000	1,755	1,395	(360)	1.24%	1.33%	0.02%
Kohat Cement Limited		5,000	10,000	-	4,500	10,500	1,556	1,821	265	1.62%	1.73%	0.01%
Lucky Cement Limited		-	20,600	-	14,100	6,500	2,912	3,394	482	3.01%	3.23%	0.00%
Maple Leaf Cement Factory Limited		30,000	325,000	-	175,000	180,000	5,080	5,099	19	4.53%	4.85%	0.02%
Pioneer Cement Limited		-	32,000	-	11,000	21,000	1,637	1,819	183	1.62%	1.73%	0.01%
Power Cement Limited		-	250,000	-	250,000	-	-	-	-	0.00%	0.00%	0.00%
		193,000	987,600	17,500	626,169	571,931	22,285	23,160	877	20.58%	22.03%	0.10%
Textile Composition												
Nishat Mills Limited		-	20,000	-	20,000	-	-	-	-	0.00%	0.00%	0.00%
Interloop Limited		14,000	15,000	7,500	14,000	22,500	827	793	(33)	0.70%	0.75%	0.00%
Kohinoor Textile Mills Limited		-	27,500	-	8,000	19,500	932	993	61	0.88%	0.94%	0.01%
		14,000	62,500	7,500	42,000	42,000	1,759	1,786	28	1.58%	1.69%	0.01%

Name of Investee	As at 01 July 2022	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2023	Cost / carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealised (loss) /gain	Market Value as a percentage of		Paid up capital of investee company (with face value of investment)
									Net	Total	
									Assets	Investment	
Note	(Number of shares)				(Rupees in '000)			(%)			
<b>Pharmaceutical</b>											
Abbott Lab (Pakistan) Limited	2,400	-	-	-	2,400	1,571	888	(683)	0.79%	0.84%	0.00%
The Searle Company Limited	-	20,000	-	20,000	-	-	-	-	0.00%	0.00%	0.00%
	<b>2,400</b>	<b>20,000</b>	<b>-</b>	<b>20,000</b>	<b>2,400</b>	<b>1,571</b>	<b>888</b>	<b>(683)</b>	<b>0.79%</b>	<b>0.84%</b>	<b>0.00%</b>
<b>Power Generation and Distribution</b>											
Hub Power Company Limited	-	50,000	-	12,000	38,000	2,719	2,644	(75)	2.35%	2.51%	0.00%
Engro Powergen Qadirpur Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
	<b>-</b>	<b>100,000</b>	<b>-</b>	<b>62,000</b>	<b>38,000</b>	<b>2,719</b>	<b>2,644</b>	<b>(75)</b>	<b>2.35%</b>	<b>2.51%</b>	<b>0.00%</b>
<b>Technology &amp; Communications</b>											
Air Link Communication	75,000	-	-	31,000	44,000	1,777	873	(905)	0.77%	0.83%	0.11%
Avanceon Limited	-	58,000	5,550	34,000	29,550	2,083	1,301	(782)	1.16%	1.24%	0.09%
Octopus Digital Limited	-	15,000	2,250	-	17,250	1,058	645	(413)	0.57%	0.61%	0.13%
System Limited	7,500	20,700	-	17,300	10,900	4,753	4,396	(357)	3.90%	4.18%	0.64%
TPL Trakker Limited	200,000	-	-	75,000	125,000	1,081	1,105	24	0.98%	1.05%	0.67%
Netsol Technologies Limited	-	35,000	-	35,000	-	-	-	-	0.00%	0.00%	0.00%
	<b>282,500</b>	<b>128,700</b>	<b>7,800</b>	<b>192,300</b>	<b>226,700</b>	<b>10,752</b>	<b>8,320</b>	<b>(2,433)</b>	<b>7.39%</b>	<b>7.91%</b>	<b>1.59%</b>
<b>Leather &amp; Tanneries</b>											
Service Global Foot	20,000	-	-	-	20,000	804	558	(246)	0.50%	0.53%	0.01%
	<b>20,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>20,000</b>	<b>804</b>	<b>558</b>	<b>(246)</b>	<b>0.50%</b>	<b>0.53%</b>	<b>0.01%</b>
<b>Refinery</b>											
Attock Refinery Limited	6,000	8,000	-	14,000	-	-	-	-	0.00%	0.00%	0.00%
National Refinery Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.00%
	<b>11,000</b>	<b>8,000</b>	<b>-</b>	<b>19,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>
<b>Food and Personal Care Products</b>											
At-Tahur Limited.	20,000	-	2,000	4,000	18,000	312	296	(16)	0.26%	0.28%	0.01%
	<b>20,000</b>	<b>-</b>	<b>2,000</b>	<b>4,000</b>	<b>18,000</b>	<b>312</b>	<b>296</b>	<b>(16)</b>	<b>0.26%</b>	<b>0.28%</b>	<b>0.01%</b>
<b>Total as at 30 June 2023</b>	<b>1,353,000</b>	<b>2,634,882</b>	<b>50,925</b>	<b>2,169,351</b>	<b>1,869,456</b>	<b>115,651</b>	<b>105,183</b>	<b>(10,468)</b>			
Total as at 30 June 2022	3,647,984	6,431,695	156,914	8,883,593	1,353,000	98,981	87,033	(11,948)			

**5.1.1** Following shares were pledged with National Clearing Company Pakistan Limited (NCCPL) as collateral against exposure margin and mark to market losses:

	<b>2023</b>	<b>2022</b>
	<b>(Number of Shares)</b>	
Engro Fertilizer Limited	<b>15,000</b>	15,000
Engro Corporation Limited	<b>10,000</b>	10,000
Habib Bank Limited	<b>10,000</b>	14,000
Mari Petroleum Limited	<b>2,900</b>	4,300
Meezan Bank Limited	<b>65,000</b>	65,000
Oil & Gas Development Company Limited	<b>19,000</b>	40,000
Pakistan Petroleum Limited	<b>36</b>	36
United Bank Limited	<b>-</b>	13,000
Askari Bank Limited	<b>-</b>	89,000
Bank AL Habib Limited	<b>23,000</b>	26,000
Faysal Bank Limited	<b>50,000</b>	100,000
Habib Metropolitan Bank Limited	<b>28,000</b>	50,000
TPL Trakker Limited	<b>100,000</b>	100,000
	<b>322,936</b>	<b>526,336</b>

## **6 DIVIDEND AND PROFIT RECEIVABLE**

	<b>Note</b>	<b>2023</b>	<b>2022</b>
		<b>----- (Rupees in '000) -----</b>	
Dividend receivable		<b>70</b>	70
Profit receivable		<b>16</b>	2
		<b>86</b>	<b>72</b>

## **7 ADVANCES AND DEPOSITS**

Deposit with National Clearing Company of Pakistan Limited (NCCPL)		<b>1,000</b>	2,500
Deposit with Central Depository Company of Pakistan Limited (CDC)		<b>100</b>	100
Advance tax	7.1	<b>218</b>	192
		<b>1,318</b>	<b>2,792</b>

- 7.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

## 8. PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION OF THE MANAGEMENT COMPANY

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan (MUFAP) with the Honorable Sindh High Court (SHC) on 04 September 2013.

While disposing the above petition through order dated 16 July 2016, the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan (SCP), which is pending for decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Fund, as a matter of abundant caution, is carrying provision for FED for the period from 13 June 2013 to 30 June 2016 aggregating to Rs. 2.043 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2023 would have been higher by Rs. 1.39 (30 June 2022: Rs. 1.36) per unit.

## 9. PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been calculated as per following applicable tariff during the year and for 30 June 2023:

Average net assets (Rs. in million)	Tariff
Upto Rs. 1,000	Rs. 0.7 million or 0.2% per annum of net asset value, whichever is higher.
Rs. 1,000 and above	Rs. 2 million plus 0.10% per annum of net asset value exceeding Rs. 1,000.

- 9.1 Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Trustee's remuneration during the year.

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% (30 June 2022: 0.02%) of net assets in accordance with regulation 62 of the NBFC Regulations.

## 11. ACCRUED EXPENSES AND OTHER LIABILITIES

	2023	2022
	(Rupees in '000)	
Auditors' remuneration	409	214
Printing charges	102	77
Withholding tax payable	192	296
Others	46	371
	<b>749</b>	<b>958</b>

**12 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

**13 PROFIT ON BANK DEPOSITS**

	Note	2023	2022
		(Rupees in '000)	
Saving accounts	13.1	<u>2,910</u>	<u>1,570</u>

**13.1** This includes profit on bank deposits with Bank AL Habib Limited, a related party (ultimate parent) of Rs. 2.891 million (2022: Rs.1.559 million)

**14 PAYABLE / REMUNERATION TO AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio. The Management Company has charged management fee at the rate of 2.00% (30 June 2022: 2.00%) of the average annual net assets of the Fund. The fee is payable to the Management Company monthly in arrears.

**14.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Management Company's remuneration during the year.

**15 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

**16 AUDITORS' REMUNERATION**

	2023	2022
	(Rupees in '000)	
Annual audit fee	325	194
Half yearly review fee	120	115
Out of pocket expenses	46	29
	<u>491</u>	<u>338</u>

**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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. Since no distributable income has been earned by the Fund, therefore, no dividend has been distributed.

**18 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	Receivable against issuance of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at 01 July 2022	-	-	-
Receivable against issuance of units	27,859	-	27,859
Payable against redemption of units	-	31,947	31,947
	27,859	31,947	59,806
Amount received on issuance of units	(27,859)	-	(27,859)
Amount paid on redemption of units	-	(31,947)	(31,947)
	(27,859)	(31,947)	(59,806)
Closing balance as at 30 June 2023	-	-	-

## 19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.

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

According to the amendments to IFRS 7, Financial Instruments: Disclosure - Improving disclosures about financial instruments, an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

The fair value of traded investments is based on quoted market prices, and have been disclosed in note 5.

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2023</b>	<b>Note</b>	<b>----- (Rupees in '000) -----</b>							
<b>Financial assets - measured at fair value</b>									
Investments	5	105,183	-	-	105,183	105,183	-	-	105,183
<b>Financial assets - not measured at fair value</b>									
Bank balances	19.1 4	-	3,394	-	3,394	-	-	-	-
Dividend and profit receivable	6	-	86	-	86	-	-	-	-
Receivable against sale of investment		-	5,452	-	5,452	-	-	-	-
Advances and deposits	7	-	1,100	-	1,100	-	-	-	-
		<u>105,183</u>	<u>10,032</u>	<u>-</u>	<u>115,215</u>	<u>105,183</u>	<u>-</u>	<u>-</u>	<u>105,183</u>
<b>Financial liabilities - not measured at fair value</b>									
Payable to AL Habib Asset Management Limited - Management Company	19.1 15	-	-	233	233	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	2,043	2,043	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	23	23	-	-	-	-
Accrued expenses and other liabilities	12	-	-	557	557	-	-	-	-
		<u>-</u>	<u>-</u>	<u>2,856</u>	<u>2,856</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
30 June 2022	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	5	87,033	-	-	87,033	87,033	-	-	87,033
Financial assets - not measured at fair value	19.1								
Bank balances	4	-	27,388	-	27,388	-	-	-	-
Dividend and profit receivable	6	-	72	-	72	-	-	-	-
Receivable against sale of investment		-	6,478	-	6,478	-	-	-	-
Advances and deposits	7	-	2,600	-	2,600	-	-	-	-
		87,033	36,538	-	123,571	87,033	-	-	87,033
Financial liabilities - not measured at fair value	19.1								
Payable to AL Habib Asset Management Limited - Management Company	15	-	-	233	233	-	-	-	-
Provision for Federal Excise Duty on remuneration of the Management Company	8	-	-	2,043	2,043	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	23	23	-	-	-	-
Accrued expenses and other liabilities	12	-	-	662	662	-	-	-	-
		-	-	2,961	2,961	-	-	-	-

**19.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## **20 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include:

S.No	Company Name	Relationship
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	AL Habib Capital Market (Private) Limited	Subsidiary of Bank AL Habib Limited
4	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Islamic Savings Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties include directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above related parties.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.



Details of the transactions with connected persons / related parties are as follows:

	2023	2022
	(Rupees in '000)	
<b>AL Habib Asset Management Limited - Management Company</b>		
Management remuneration	1,148	4,764
Sindh Sales Tax on Management's remuneration	149	619
Expenses allocated by the Management Company	-	259
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage	94	278
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of Trustee	235	476
Sindh Sales Tax on Trustee's remuneration	31	62
<b>Bank AL Habib Limited (Ultimate Parent)</b>		
Profit on bank balances	2,891	1,559
Dividend Income	161	-
<b>Details of the balances with connected persons as at year end are as follows:</b>		
<b>Bank AL Habib Limited (Ultimate parent)</b>		
Bank balance	3,284	27,034
Equity Securities	994	1,509
Bank Profit receivable	469	-
<b>AL Habib Asset Management Limited - Management Company</b>		
Remuneration payable (inclusive of Sindh Sales Tax)	-	233
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable (inclusive of Sindh Sales Tax)	23	23
Security deposit - non interest bearing	100	100
<b>AL Habib Capital Markets (Private) Limited - Brokerage house</b>		
Brokerage payable	-	9

## 20.1 Sale / Redemption of units

	2023		2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b><u>Units sold to:</u></b>				
<b><u>Management Company</u></b>				
AL Habib Asset Management Limited	35,725	2,652	1,174,994	104,522
<b><u>Other related parties</u></b>				
Directors & their relatives of the Management Company	-	-	-	-
Key Management executives & their relatives of the Management Company	195	15	51,632	4,761
<b>Connected persons holding 10% or more of the units in issue</b>	325,585	24,000	-	-
<b><u>Units redeemed by:</u></b>				
<b><u>Management Company</u></b>				
AL Habib Asset Management Limited	35,725	2,633	1,347,980	119,402

	2023		2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Other related parties</b>				
Directors & their relatives of the Management Company	9,993	753	2,046	191
Key Management executives & their relatives of the Management Company	100,510	8,041	41,313	3,801
<b>Connected persons holding 10% or more of the units in issue</b>	172,856	13,000	-	-
<b>Units held by:</b>				
<b>Management Company</b>				
AL Habib Asset Management Limited	-	-	-	-
<b>Parent Company</b>				
Bank AL Habib Limited	100,000	7,669	100,000	7,993
<b>Other related parties</b>				
Directors & their relatives of the Management Company	54	4	10,047	803
Key Management executives & their relatives of the Management Company	590	45	100,904	8,065
<b>Connected persons holding 10% or more of the units in issue</b>	773,738	59,336	621,008	49,637

## 21 RISK MANAGEMENT

### Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

### *Risk management framework*

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, NBFC Rules, and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

### 21.1 Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year-end it arises principally from bank balances, dividend and profit receivables, receivable against sale of investments and deposits.

### *Management of credit risk*

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

#### Exposure to credit risk

In summary, compared to the maximum amount included in statement of assets and liabilities, the maximum exposure to credit risk as at year end is as follows:

	2023		2022	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	(Rupees in '000)			
Bank balances	3,394	3,394	27,388	27,388
Investments	105,183	-	87,033	-
Dividend and profit receivable	86	86	72	72
Receivable against sale of investments	5,452	5,452	6,478	6,478
Advances and deposits	1,318	1,100	2,792	2,600
	<b>115,433</b>	<b>10,032</b>	<b>123,763</b>	<b>36,538</b>

Differences in the balances as per the Statement of Assets and Liabilities and maximum exposures were due to the fact that investments of Rs. 105.18 million (2022: Rs. 87.03 million) relates to investments in quoted equity securities which are not considered to carry credit risk.

#### Credit ratings and collaterals

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

Ratings	2023	2022
	(Percentage)	
A	0.00%	48.94%
AA	2.20%	0.00%
AA+	0.00%	1.73%
AAA	97.80%	49.33%
	<b>100.00%</b>	<b>100.00%</b>

#### Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 91% (30 June 2022: 70%) of the Fund's financial assets are in quoted equity investments which are not exposed to credit risk.

As at year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	2023	2022
	(Percentage)	
Banks (including bank profit due)	73.76%	91.33%
Financial services	26.24%	8.67%
	<b>100.00%</b>	<b>100.00%</b>

#### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired. No provisions have been booked during the year.

**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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

**21.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

**Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

In order to manage the Fund's overall liquidity, the Fund also has the ability to withhold daily redemption requests in excess of 10% 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 10% of the units then in issue. The Fund did not withhold any redemptions during the year.

**Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

	<b>2023</b>			
	<b>Carrying amount</b>	<b>Less than one month</b>	<b>One to three months</b>	<b>Three months to one year</b>
	<b>(Rupees in '000)</b>			
<b>Non- derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	23	23	-	-
Accrued expenses and other liabilities	557	148	409	-
	<b>580</b>	<b>171</b>	<b>409</b>	<b>-</b>
Unit holders' Fund	<b>112,594</b>	<b>112,594</b>	<b>-</b>	<b>-</b>

	2022			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
<b>Non- derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	233	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	23	23	-	-
Accrued expenses and other liabilities	662	448	214	-
	<u>918</u>	<u>471</u>	<u>214</u>	<u>-</u>
Unit holders' Fund	<u>120,458</u>	<u>120,458</u>	<u>-</u>	<u>-</u>

### 21.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### Management of market risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate and other price risk only.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023	2022
	(Rupees in '000)	
<b>Variable rate instruments</b>		
Bank balances	<u>3,394</u>	<u>27,388</u>

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

In case of change of 100 basis points in KIBOR on 30 June 2023, the net assets of the Fund would have been lower / higher by Rs. 0.026 million (2022: 0.274 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's financial instruments, interest rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	Mark-up / profit rate	2023				Total
		Less than one month	One to three months	Three months to one year	More than one year	
		(Rupees in '000)				
<b>Assets</b>						
Bank balances	12.50% to 19.75%	3,394	-	-	-	3,394
<b>Total assets</b>		<u>3,394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,394</u>

		2022				
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	More than one year	Total
----- (Rupees in '000) -----						
<i>Assets</i>						
Bank balances	10.00% - 12.50%	27,388	-	-	-	27,388
Total assets		27,388	-	-	-	27,388

None of the Fund's financial liabilities are subject to interest rate risk.

#### **Other price risk**

Other price risk is the risk of unfavourable changes in the fair value of equity securities and units of mutual funds as a result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines.

The Fund manages this risk by limiting its investment exposure in the following ways:

- 10% of NAV or index weight of a single security, subject to a maximum limit of 15%, whichever is higher.
- higher of 30% of NAV or index weight of a single stock exchange sector, subject to a maximum limit of 35% of NAV.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's assets is presented in note 5.1 to these financial statements. Further, the Fund's policy requires that the overall Fund position is monitored on a daily basis by the Fund Manager and is reviewed on bi-monthly basis by the Investment Committee and by the Board of Directors in every meeting of the Board. Non - compliance with the Fund's investment policies is reported to the Board of Directors.

The Fund's investments in equity securities are publicly traded and are valued at the rates quoted on the Pakistan Stock Exchange.

In case of 5% increase / decrease in KSE-100 index on 30 June 2023 with all other variables held constant, other components of equity and the Net Assets of the Fund would increase / decrease by Rs. 5.259 million as a result of gains / losses on equity securities.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE-100 index, having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over the time. Accordingly, the sensitivity analysis prepared as of 30 June 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of KSE-100 index.

#### **21.4 Unit Holders' Fund risk management**

Management's objective when managing unit holders' funds is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders' and to ensure reasonable safety of unit holders' funds. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations, the minimum size of an open end scheme shall be Rs. 100 million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

#### **22 PATTERN OF UNITHOLDING**

Unit holding pattern of the fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	138	548,954	42,099	37.38%
Associated companies and directors	4	100,644	7,718	6.85%
Retirement Funds	-	-	-	0.00%
Others	3	818,588	62,777	55.76%
	145	1,468,186	112,594	100.00%

Unit holding pattern of the fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment Amount (Rupees in '000)	Percentage of total investment
Individuals	155	741,203	59,243	49.17%
Associated companies and directors	1	100,000	7,993	6.64%
Retirement Funds	1	621,008	49,637	41.21%
Others	1	44,851	3,585	2.98%
	158	1,507,062	120,458	100.00%

## 23 FINANCIAL INSTRUMENTS BY CATEGORY

	30 June 2023		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	3,394	-	3,394
Investments	-	105,183	105,183
Dividend and profit receivable	86	-	86
Receivable against sale of investment	5,452	-	5,452
Advances, deposits and prepayments	1,100	-	1,100
	<u>10,032</u>	<u>105,183</u>	<u>115,215</u>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	23	-	23
Accrued expenses and other liabilities	557	-	557
	<u>580</u>	<u>-</u>	<u>580</u>

	30 June 2022		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	27,388	-	27,388
Investments	-	87,033	87,033
Dividend and profit receivable	72	-	72
Receivable against sale of investments	-	-	-
Advances, deposits and prepayments	2,600	-	2,600
	<u>30,060</u>	<u>87,033</u>	<u>117,093</u>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	233	-	233
Payable to Central Depository Company of Pakistan Limited - Trustee	23	-	23
Accrued expenses and other liabilities	662	-	662
	<u>918</u>	<u>-</u>	<u>918</u>



24	TOP 10 BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID	2023	2022
		(Percentage)	
	<b>Name of Broker</b>		
	AL Habib Capital Markets (Private) Limited	22.13%	24.58%
	Arif Habib Limited	11.96%	15.41%
	Topline Securities (Pvt.) Limited	11.89%	4.41%
	BMA Capital Management Limited	11.79%	14.57%
	DJM Securities Limited	10.61%	10.56%
	Optimus Capital Management (Pvt.) Limited	9.25%	9.34%
	Habib Metropolitan Financial Services Limited	7.96%	2.40%
	Next Capital Limited	7.02%	4.32%
	Ismail Iqbal Securities (Pvt.) Limited	3.84%	1.72%
	Taurus Securities Limited	3.55%	9.89%
	KTRade Securities Limited	0.00%	2.80%
		<b>100.00%</b>	<b>100.00%</b>

**25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

Name	Designation	Qualification	Experience in years
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	23
Mr. Talha A. Siddiqui	Fund Manager	Post Graduate - Economics	6

25.1 Mr. Talha Akhtar Siddiqui is also Fund Manager of AL Habib Asset Allocation Fund and AL Habib Islamic Stock Fund.

**26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave	
Mr. Abbas D. Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Mr. Imran Azim	4	3	1	96th Meeting
Ms. Zarine Aziz	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi (CEO)	4	4	-	-

**27 TOTAL EXPENSE RATIO (TER)**

TER of the Fund for the year ended 30 June 2023 is 2.55% which include 0.17% government levies and SECP fee. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

**28 GENERAL**
**28.1 CORRESPONDING FIGURES**

28.1.1 Corresponding figures have been reclassified and re-arranged in these financial statements, whenever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

**28.2 Date of authorization for issue**

These financial statements were authorized for issue by the Board of Directors of the Management Company on 17 August, 2023.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Fund Objective:

The objective of AHSF is to provide investors with long term capital growth from an actively managed portfolio invested primarily in diversified pool of listed equities and other approved instruments.

### Fund Objective Achieved:

The Fund has achieved its stated objective.

### Performance Review:

The return of the fund for FY23 was -4.06%.

### Strategies and Policies Employed during the period under review:

AHSF primarily invests in equity securities listed on Pakistan Stock Exchange. The selection criterion for these securities is based upon hybrid investment approach with companies having sound financial history backed by strong fundamentals. The residual funds are placed with Commercial Banks in order to maintain liquidity requirements of the fund.

### Fund Description

<b>Fund Type &amp; Category</b>	Open Ended - Equity Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	October 10, 2009	<b>Management Fee</b>	2% per annum of average daily net assets.
<b>Benchmark</b>	KSE - 30 Index (Total Return)	<b>Sales Load</b>	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Minimum Investment</b>	Initial investment of Rs. 5,000 Subsequently Rs. 1,000 per transaction
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Dealing Days/Timings</b>	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm
<b>Risk Profile</b>	High (Principal at high risk)	<b>Pricing Mechanism</b>	Forward Pricing

### Market Review:

The benchmark KSE-100 exhibited a range bound trend for the Fiscal Year 2023 oscillating between 38,000 points and 42,000 points. The index posted a flat return of 0.33%, due to rising inflation caused by commodity super cycle, change in political leadership of the country and delay in approval of IMF's review. Conversion of capital from stock market to money market was witnessed on account of shift in SBP stance from accommodative to tightening the monetary policy by raising policy rate to 22%.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the year end.

Average traded volume and value during FY23 stood at (192mn shares) and (USD 25mn), respectively. On sectoral basis, volumes were led by Technology (41.0mn shares), Power (15.8mn shares), Banks (15.6mn shares), Refinery (15.3mn shares), and OGMCs (15.0mn shares). Sector-wise value was led by Technology (USD 5.0mn), E&P (USD 2.9mn), Cement (USD 2.7mn), Banks (USD 2.2mn), and Refinery (USD 1.9mn).

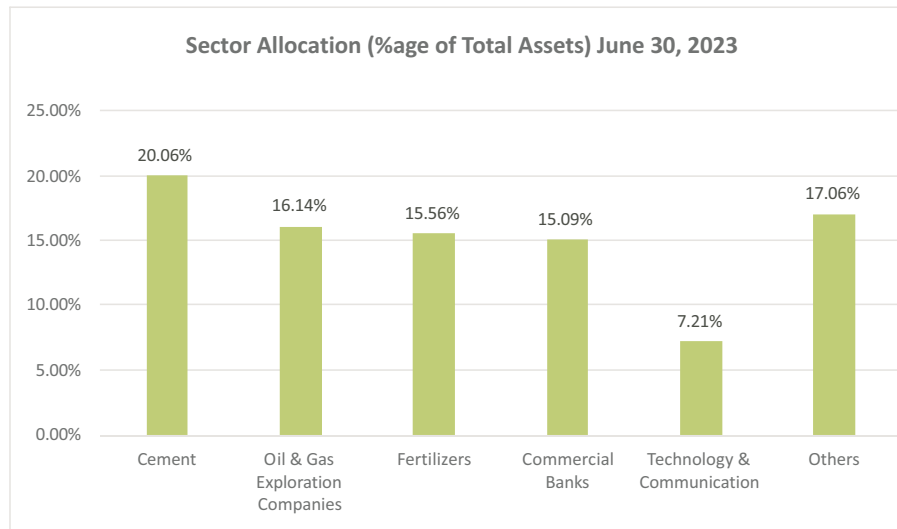
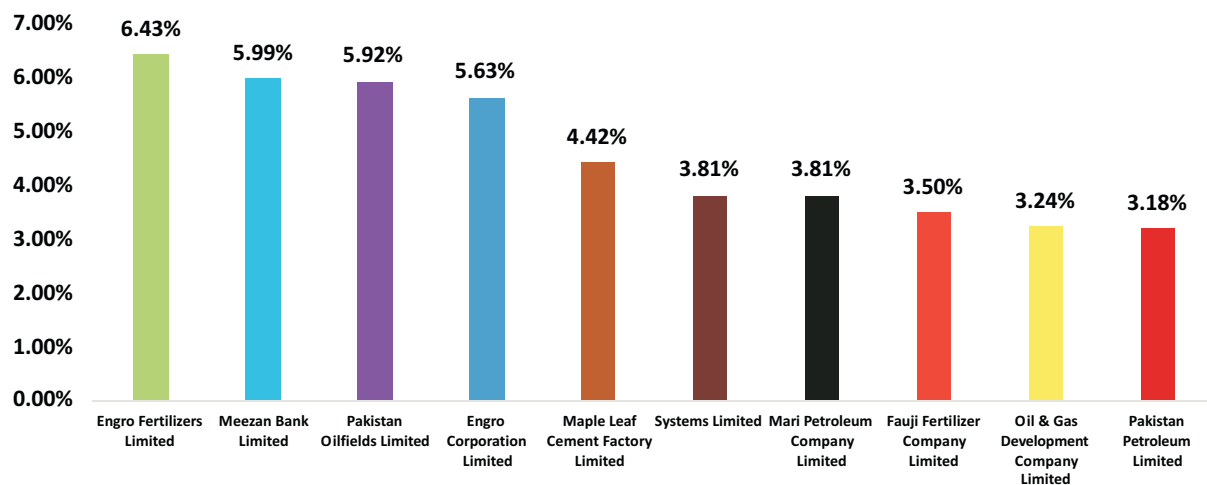
Market sentiment is expected to remain neutral due to prevailing uncertainty on political and economic front. The resumption of IMF program is expected to attract more inflows from bilateral and multilateral which shall relieve pressure on currency and foreign reserves. Additionally, we view that headline CPI will start easing from Oct'23 onwards, due to high base effect of the prior year, leading a way to decrease in interest rates going forward which will support the KSE 100 index.

**Asset Allocation of Fund**

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	2.27%	22.19%
Equity	91.12%	70.52%
Others	6.61%	7.29%

**Breakdown of Unit Holdings by Size:**

Size of Unit Holding (Units)	# of Unit Holders
1-5000	112
5001-10000	10
10001-50000	12
50001-100000	4
100001-1000000	2
<b>Total</b>	<b>140</b>


**Top Ten Stock (%age of Total Asset) June 30, 2023**


**Income Distribution**

AHSF made no distribution during FY23.

**During the period under question:**

There has been no significant change in the state of affairs of the Fund. Al Habib Stock Fund does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During FY23, 791,471 units of the value of Rs. 59.8 Mn. were sold, while 415,174 units of value of Rs. 31.94 Mn. were redeemed, resulting in to a net redemption of 376,297 units valued Rs. 27.85 Mn..

**Unit Holders Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

**Fund Performance at a Glance**

	2023	2022
Net Assets as at June 30 (Rs. in Mn.)	112.59	120.46
NAV per unit as at June 30 (Rs. )	76.6874	79.9290
Annual Return	-4.06%	-10.39%
Benchmark	4.41%	-10.44

**Disclosure:**

There are no material circumstances affecting unit holder interests.

**AL HABIB ISLAMIC CASH FUND**  
**Annual Report**  
For the year ended June 30, 2023

## FUND'S INFORMATION

### Management Company

AL Habib Asset Management Limited

### Board of Directors of the Management Company

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

### Chief Financial Officer

Mr. Abbas Qurban

### Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasnani

### Audit Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

### Human Resource Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

### Auditors

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

### Legal Advisor

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

### Trustee

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

### Rating

AA+(f) Fund Stability Rating, Rating by PACRA  
AM2+ Management Company Quality Rating  
Assigned by PACRA.

### Bankers to the Fund

Bank Islami Pakistan Limited  
Bank Al Habib Limited  
Meezan Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB ISLAMIC CASH FUND**

**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 AL Habib Islamic Cash Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023





**REVIEW REPORT OF THE SHARIAH ADVISOR**

As a Shariah Advisor of the **AL Habib Islamic Cash Fund (AHICF)**, I am issuing this report. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with Shariah guidelines. My responsibility is to express an opinion, based on my 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, I hereby certify that:

- I have reviewed and approved the modes of investment of AHICF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of AHICF 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 AHICF for the period from July 01, 2022 to June 30, 2023 have been in compliance with Shariah principles.



**Dr. Mufti Ismatullah Hamdullah**  
Shariah Advisor

Date: June 30, 2023



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## Independent Reasonable Assurance Report to the Unit Holders in respect of Shariah Compliance

### 1. Introduction

We were engaged by the Board of Directors of Al Habib Asset Management Limited (the Management Company) to report on the Shariah compliance of **Al Habib Islamic Cash Fund** (the Fund), as set out in the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments for the year ended **30 June 2023**, in the form of an independent reasonable assurance conclusion. Our engagement was carried out as required under clause 11.5 of trust deed of the Fund.

### 2. Applicable Criteria

The criteria against which the Shariah Compliance of the Fund is assessed is the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 3. Responsibilities of the Management Company

It is the responsibility of the Management Company of the Fund to ensure Shariah compliance with Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. This responsibility includes designing, implementing, and maintaining appropriate internal controls to ensure that operations of the Fund and its investments and placements have been made in compliance with respect to Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Chartered Accountants* issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shariah expert.

### 5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion on Shariah Compliance of the Fund, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), '*Assurance Engagements other than audits or reviews of historical financial statements*' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Fund is Shariah Compliant in accordance with its Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in all material respects.



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- The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Management Company's internal control over the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, and consequently cannot provide absolute assurance that the objective of compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

Amongst others, our scope included procedures to:

- Check compliance of Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.
- Check that the Shariah Advisor has certified that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2023 are in compliance with the Shariah principles.

In performing our audit procedures necessary guidance on Shariah matters was provided by the internal Shariah experts.

We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

## 6. Conclusion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments during the year ended 30 June 2023.

Date: 28 September 2023  
Karachi

Signature  
Chartered Accountants

Arslan Khalid  
Assurance Engagement Partner



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## INDEPENDENT AUDITORS' REPORT

To the Unit holders of AL Habib Islamic Cash Fund

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the financial statements of **AL Habib Islamic Cash Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### Basis for Opinion

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

#### Key Audit Matters

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

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Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Bank balances</b>  The bank balances represent significant portion of the total assets of the Fund during the year and / or as at the year end. The bank balances as at year end represents 95% of total assets of the Fund.  In view of the above, we have considered this area as a key audit matter.  For disclosure refer to note 4 to the financial statements.	Our key procedures included the following:  <ul style="list-style-type: none"> <li>- We performed substantive audit procedures on year-end balance maintained with the banks including review of banks' statements, bank reconciliations and obtaining confirmations for bank balances.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the bank balances in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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

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

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

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**Report on Other Legal and Regulatory Requirements**

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

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

Chartered Accountants

Date: 28 September 2023

Karachi

UDIN Number: AR202310191WHpATZEyK

A member firm of Ernst & Young Global Limited



**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances and Term deposit receipt	4	13,675,517	10,038,254
Profit receivable	5	169,128	112,588
Other receivable	6	123	13
Preliminary expenses and floatation costs	7	593	663
<b>Total assets</b>		<b>13,845,361</b>	<b>10,151,518</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	11	12,654	2,120
Payable to Central Depository Company of Pakistan Limited - Trustee	12	881	424
Payable to Securities and Exchange Commission of Pakistan (SECP)	14	1,994	287
Accrued expenses and other liabilities	8	23,798	14,802
<b>Total liabilities</b>		<b>39,327</b>	<b>17,633</b>
<b>Net assets</b>		<b>13,806,034</b>	<b>10,133,885</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>13,806,034</b>	<b>10,133,885</b>
<b>Contingencies and Commitments</b>	9		
<b>(Number of Units)</b>			
<b>Number of units in issue (face value of units is Rs. 100 each) - Growth Units</b>		<b>138,060,347</b>	<b>101,338,852</b>
<b>(Rupees)</b>			
<b>Net asset value per unit</b>		<b>100.00</b>	<b>100.00</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	For the period from 20 December 2021 to 30 June 2022
	Note	(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits	10	1,499,458	190,305
Profit on term deposits receipts		<u>154,888</u>	<u>1,180</u>
<b>Total income</b>		<u>1,654,346</u>	<u>191,485</u>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	11	56,362	1,761
Sindh sales tax on management company's remuneration	11.1	7,327	229
Expense allocated by Management Company	13	16,193	1,796
Remuneration of Central Depository Company of Pakistan Limited - Trustee	12	5,469	792
Sindh sales tax on trustee remuneration	12.1	711	103
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	14	1,994	287
Settlement and bank charges		-	6
Listing fee		25	50
Auditors' remuneration	15	588	354
Amortization of preliminary expenses and floatation costs	7	70	35
Other expense		116	14
<b>Total expenses</b>		<u>88,855</u>	<u>5,427</u>
<b>Net income for the year before taxation</b>		<u>1,565,491</u>	<u>186,058</u>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<u>1,565,491</u>	<u>186,058</u>
<b>Allocation of net income for the year after taxation:</b>			
Net income for the year		1,565,491	186,058
Income already paid on units redeemed		-	-
		<u>1,565,491</u>	<u>186,058</u>
<b>Accounting income available for distribution:</b>			
Relating to capital gains		-	-
Excluding capital gains		<u>1,565,491</u>	<u>186,058</u>
		<u>1,565,491</u>	<u>186,058</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**STATEMENT OF COMPREHENSIVE INCOME**  
***FOR THE YEAR ENDED JUNE 30, 2023***

	2023	For the period from 20 December 2021 to 30 June 2022
	<u>(Rupees in '000)</u>	
Net income for the year after taxation	1,565,491	186,058
Other comprehensive income for the year	-	-
Total comprehensive income for the year	<u>1,565,491</u>	<u>186,058</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

**Chief Executive Officer**

**Chief Financial Officer**

**Director**

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023			For the period from 20 December 2021 to 30 June 2022		
		Capital Value	Undistributed income	Net Asset	Capital Value	Undistributed income	Net Asset
		(Rupees in '000)	(Rupees in '000)		(Rupees in '000)	(Rupees in '000)	
Net assets at the beginning of the year		10,133,885	-	10,133,885	-	-	-
<b>Issuance of 325,476,762 units (2022: 128,797,906 units) *</b>							
- Capital value		32,547,676	-	32,547,676	12,879,790	-	12,879,790
- Element of income		-	-	-	-	-	-
Amount received on issuance of units		32,547,676	-	32,547,676	12,879,790	-	12,879,790
<b>Redemption of 288,755,267 units (2022: 27,459,054 units)</b>							
- Capital value		(28,875,527)	-	(28,875,527)	(2,745,905)	-	(2,745,905)
- Element of income		-	-	-	-	-	-
Amount paid on redemption of units		(28,875,527)	-	(28,875,527)	(2,745,905)	-	(2,745,905)
Total comprehensive income for the year		-	1,565,491	1,565,491	-	186,058	186,058
Cash distribution for the year ended 30 June 2023: Rs. 15.2236 per unit (30 June 2022: Rs. 5.8463 per unit) *	1.9	-	(1,565,491)	(1,565,491)	-	(186,058)	(186,058)
		-	-	-	-	-	-
<b>Net assets at the end of the year</b>		<b>13,806,034</b>	<b>-</b>	<b>13,806,034</b>	<b>10,133,885</b>	<b>-</b>	<b>10,133,885</b>
<b>Undistributed income brought forward</b>							
- Realised income			-			-	
- Unrealised income			-			-	
			-			-	
<b>Accounting income available for distribution</b>							
- Relating to capital gains			-			-	
- Excluding capital gains			1,565,491			186,058	
			1,565,491			186,058	
Cash distribution for the year ended 30 June 2023: Rs. 15.2236 per unit (30 June 2022: Rs. 5.8463 per unit) *			(1,565,491)			(186,058)	
Undistributed income carried forward			-			-	
<b>Undistributed income carried forward</b>							
- Realised income			-			-	
- Unrealised income			-			-	
			-			-	
			(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year			100.00			-	
Net assets value per unit at end of the year			100.00			100.00	

\* During the year all the units issued by the Fund are Growth units and dividend on these units have been reinvested on daily basis. (Please refer note 1.8)

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	For the period from 20 December 2021 to 30 June 2022
	Note	(Rupees in '000)	(Rupees in '000)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		1,565,491	186,058
<b>Adjustments for:</b>			
Profit on bank deposits		(1,499,458)	(190,305)
Profit on term deposits receipts		(154,888)	(1,180)
Amortization of preliminary expenses and floatation costs		70	35
		(88,785)	(5,392)
<i>Increase in assets</i>			
Other receivable		(110)	(13)
Preliminary expenses and floatation costs		-	(698)
		(110)	(711)
<i>Increase in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		10,534	2,120
Payable to Central Depository Company of Pakistan Limited - Trustee		457	424
Payable to Securities and Exchange Commission of Pakistan		1,707	287
Accrued expenses and other liabilities		8,996	14,802
		21,694	17,633
Profit on bank deposit and term deposit receipt received		1,597,806	78,897
<b>Net cash generated from operating activities</b>		<b>1,530,605</b>	<b>90,427</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		32,547,676	12,879,790
Payments against redemption of units		(28,875,527)	(2,745,905)
Dividend paid during the year		(1,565,491)	(186,058)
<b>Net cash generated from financing activities</b>		<b>2,106,658</b>	<b>9,947,827</b>
<b>Net increase in cash and cash equivalents during the year</b>		<b>3,637,263</b>	<b>10,038,254</b>
Cash and cash equivalents at beginning of the year		10,038,254	-
Cash and cash equivalents at the end of the year		<b>13,675,517</b>	<b>10,038,254</b>
<b>Cash and cash equivalents comprise of :</b>			
Bank balances and Term deposit receipt	4	13,675,517	10,038,254
		<b>13,675,517</b>	<b>10,038,254</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** AL Habib Islamic Cash Fund ("the Fund") was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 27 September 2021 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 31 May 2021 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the management company is situated at 3rd floor, MacKinnon's Building, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3** The Fund is an open-end mutual fund and is in the process of listing on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.
- 1.4** The investment objective of the Fund is to provide its unit-holders optimum return from a shariah compliant portfolio of low risk and short duration assets while being highly liquid.
- 1.5** The Fund has been categorized as an Open-ended Shariah Compliant Money Market Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as a trustee of the Fund.
- 1.7** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company on 15 September 2021.
- 1.8** As per the offering document of the Fund, an investor shall, at the time of opening an account, select the types of units in which the investor wishes to invest, i.e. Growth Unit. Furthermore, at the time of dividend distribution the unit holders receive additional units or cash dividend against Growth unit, respectively.

During the year all the units issued by the Fund are Growth units and dividend has been reinvested on daily basis."

- 1.9** As per the offering document of the Fund, the Management Company may decide to distribute all net profit (after deducting all expenses of the Fund) on a periodic basis (that is Daily, Weekly, Monthly, Quarterly and Yearly) as dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its net accounting income available for distribution for the year derived from sources other than capital gains, to the unitholders. During the year, the management has distributed all the net income earned by the Fund as Dividend to the unit holders which has been reinvested on daily basis.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

- 2.1.1** These financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan. The accounting and reporting standards applicable in Pakistan comprise of:
- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
  - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
  - Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies, Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the Trust Deed.

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

**2.2 New / Revised Standards, Interpretations and Amendments**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these financial statements.

**2.3 Standards, interpretations and amendments to published accounting and reporting 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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.

**2.4 Critical accounting estimates and judgments**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

**2.5 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that investments are required to be stated at fair value.

**2.6 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees which is the Funds functional and presentation currency All amount have been rounded to the nearest thousand rupees unless stated otherwise.



**3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of ninety days or less.

**3.2 Financial assets****3.2.1 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

**3.2.2 Classification****Equity Instruments**

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

**Debt Instruments**

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**3.2.3 Business model assessment**

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

**3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows

such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### **3.2.5 Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:

#### **Debt Investments at amortised cost**

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.

#### **Debt investments at FVOCI**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.

#### **Debt investments at FVTPL**

These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.

#### **Equity investments at FVOCI**

Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by-instrument basis. The Fund has not used this classification for its investment portfolio.

Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.

#### **Equity investments at FVTPL**

These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in other comprehensive income and are never reclassified to income statement.

The fair value of financial assets are determined as follows:

#### **a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

#### **b) Debt securities (Government securities)**

The Government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

#### **c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

**3.2.6 Reclassification**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

**3.2.7 Impairment of financial assets**

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

**3.2.8 Regular way contracts**

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

**3.2.9 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

**3.2.10 Offsetting of financial instruments**

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

**3.3 Financial liabilities**

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

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

**3.4 Provisions**

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

**3.5 Unit holders' fund**

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

**3.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) prevailing on close of business hours on that day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

### **3.7 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

### **3.8 Net asset value - per unit**

The net asset value per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

### **3.9 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. During the year, the management has distributed all the net income earned by the Fund as Dividend to the unit holders which has been reinvested on daily basis. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

### **3.10 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

### **3.11 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

### **3.12 Expenses**

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the income statement on an accrual basis.

**3.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of ten periods commencing from 20 December 2021 as per the Trust Deed of the Fund.

**3.14 Distribution**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

**3.15 Earnings per unit (EPU)**

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

4	BANK BALANCES AND TERM DEPOSIT RECEIPT	Note	2023	2022
			(Rupees in '000)	
	Saving accounts	4.1	11,025,517	9,138,254
	Term deposit receipt	4.2	2,650,000	900,000
			<u>13,675,517</u>	<u>10,038,254</u>

4.1 The profit rates effective at year end on these accounts range from 19.00% to 20.88% (2022: 15.50% to 16.00%) per annum. It includes balance of Rs. 923.913 million with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 19.75% (2022: 15.50%) per annum.

4.2 This represents term deposit receipts held with Askari commercial bank and Bank Al Falah carrying profit rates at 20.25% and 20.50% respectively (30 June 2022: 15.95%) per annum and its maturity date is 12 September 2023 and 23 August 2023. Its original maturity was ninety days or less and qualifies for Cash and cash equivalents.

5	PROFIT RECEIVABLE	Note	2023	2022
			(Rupees in '000)	
	Savings accounts		125,861	111,408
	Term deposit receipt		43,267	1,180
			<u>169,128</u>	<u>112,588</u>
6	OTHER RECEIVABLE			
	Advance tax	6.1	13	13
	Annual Listing Fee		2	-
	Mutual Fund Rating Fee		108	-
			<u>123</u>	<u>13</u>

6.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). For the advance tax withheld under section 151 of ITO 2001 in prior years, the management has applied to the FBR for refund and is confident that the same will be refunded in due course.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

<b>7</b>	<b>PRELIMINARY EXPENSES AND FLOATATION COSTS</b>		<b>2023</b>	<b>2022</b>
		<b>Note</b>	<b>(Rupees in '000)</b>	
	Preliminary expenses and floatation costs incurred	7.1	663	698
	Amortization for the year		(70)	(35)
	Balance as at 30 June 2023		<u>593</u>	<u>663</u>
<b>7.1</b>	This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of ten periods effective from 20 December 2021.			
<b>8</b>	<b>ACCURED EXPENSES AND OTHER LIABILITIES</b>		<b>2023</b>	<b>2022</b>
		<b>Note</b>	<b>(Rupees in '000)</b>	
	Auditors' remuneration		563	252
	Preliminary expenses and floatation costs		585	585
	Initial deposits for opening of bank accounts		50	50
	Withholding tax		20,931	13,915
	Others		1,669	-
			<u>23,798</u>	<u>14,802</u>
<b>9</b>	<b>CONTINGENCIES AND COMMITMENTS</b>			
	There were no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).			
<b>10</b>	<b>PROFIT ON BANK DEPOSITS</b>			
	Saving accounts	10.1	<u>1,499,458</u>	<u>190,305</u>
<b>10.1</b>	This includes profit on bank deposits with Bank Al Habib ( a related party) of Rs. 201.963 million (2022: Rs. 109.359 million).			
<b>11</b>	<b>PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY</b>			
	As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the Fund. The Management has charged its remuneration at rate ranging from 0% to 10% (30 June 2022: 0% to 10%) of the gross earnings of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.			
<b>11.1</b>	Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the management company's remuneration charged during the year.			
<b>12</b>	<b>PAYABLE / REMUNERATION OF CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE</b>			
	The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee is fixed at 0.055% (30 June 2022: 0.055%) per annum of net assets.			
<b>12.1</b>	Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Trustee's remuneration charged during the year.			
<b>13</b>	<b>EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY</b>			
	In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).			
	During the year, Management Company has charged Rs. 16.193 Million (30 June 2022: 1.796 Million) to the Fund.			
<b>14</b>	<b>PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)</b>			
	This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% (30 June 2022: 0.02%) of net assets in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated 28 June 2019.			
<b>15</b>	<b>AUDITOR'S REMUNERATION</b>		<b>2023</b>	<b>2022</b>
			<b>(Rupees in '000)</b>	
	Audit fee		291	173
	Out of pocket		49	17
	Half yearly review		134	95
	Shariah compliance fee		114	60
	Certification		-	9
			<u>588</u>	<u>354</u>

**16 TAXATION**

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

**17 EARNINGS PER UNIT**

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

**18 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS**

Connected persons / related parties include:

S.No	Company Name	Relationship
1	Al Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent of AL Habib Asset Management Limited
3	AL Habib Capital Markets (Private) Ltd.	Subsidiary of Bank AL Habib Limited
4	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Saving Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Income Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties includes directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.

Details of the transactions with connected persons are as follows:

	2023	For the period from 20 December 2021 to 30 June
	(Rupees in '000)	(Rupees in '000)
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management company remuneration	56,362	1,761
- Sindh sales tax	7,327	229
- Expense allocated by Management Company	16,193	1,796
- Dividend paid	-	12,894
<b>Bank AL Habib Limited</b>		
- Profit on bank deposits	201,963	109,359
- Dividend paid	17,990	17,861
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration to the Trustee	5,469	792
- Sindh sales tax	711	103



	2023	For the period from 20 December 2021 to 30 June
	(Rupees in '000)	(Rupees in '000)
<b>Details of balances with connected persons at year end are as follows:</b>		
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management Fee payable (Inclusive of Sindh sales tax)	<u>12,654</u>	<u>2,120</u>
- Formation cost payable	<u>585</u>	<u>585</u>
- Initial deposit payable	<u>50</u>	<u>50</u>
<b>Bank AL Habib Limited</b>		
- Bank balance	<u>923,912</u>	<u>665,614</u>
- Profit receivable	<u>25,595</u>	<u>42,086</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable (Inclusive of Sindh sales tax)	<u>881</u>	<u>424</u>

## 18.1 Sale / Redemption of units

	2023		For the period from 20 December 2021 to 30 June 2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
- AL Habib Asset Management Limited	<u>-</u>	<u>-</u>	<u>9,531,816</u>	<u>953,182</u>
<b>Parent of AL Habib Asset Management Limited</b>				
- Bank AL Habib Limited	<u>179,903</u>	<u>17,990</u>	<u>23,678,613</u>	<u>2,367,861</u>
<b>Other related parties</b>				
Directors & their relatives of the Management Company	<u>587,710</u>	<u>59,396</u>	<u>305</u>	<u>30</u>
Delhi Punjabi Saudagran Foundation	<u>-</u>	<u>-</u>	<u>16,781</u>	<u>1,678</u>
Habib Asset Management Limited Employees Provident Fund	<u>131,525</u>	<u>13,152</u>	<u>-</u>	<u>-</u>
Key Management executives & their relatives of the Management Company	<u>67,840</u>	<u>6,799</u>	<u>-</u>	<u>-</u>
<b>Units sold to Connected Party holding 10% or more of the units in issue:</b>	<u>67,434,363</u>	<u>6,837,284</u>	<u>-</u>	<u>-</u>
<b>Units redeemed by:</b>				
<b>Management Company</b>				
- AL Habib Asset Management Limited	<u>-</u>	<u>-</u>	<u>9,531,816</u>	<u>953,182</u>
<b>Parent of AL Habib Asset Management Limited</b>				
- Bank AL Habib Limited	<u>20,290,778</u>	<u>2,029,078</u>	<u>2,552,043</u>	<u>255,204</u>
<b>Other related parties</b>				
Directors & their relatives of the Management Company	<u>198,300</u>	<u>19,830</u>	<u>-</u>	<u>-</u>
Delhi Punjabi Saudagran Foundation	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>200</u>
Habib Asset Management Limited Employees Provident Fund	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Key Management executives & their relatives of the Management Company	<u>22,308</u>	<u>6,799</u>	<u>-</u>	<u>-</u>
<b>Connected Party holding 10% or more of the units in issue:</b>	<u>41,665,059</u>	<u>4,166,506</u>	<u>230,752</u>	<u>23,075</u>
<b>18.2 Units held by:</b>	<b>30 June 2023</b>		<b>30 June 2022</b>	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
AL Habib Asset Management Limited	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Parent of AL Habib Asset Management Limited</b>				
- Bank AL Habib Limited	<u>1,015,696</u>	<u>101,570</u>	<u>21,126,570</u>	<u>2,112,657</u>
<b>Other related parties</b>				
Directors & their relatives of the Management Company	<u>537,218</u>	<u>53,722</u>	<u>-</u>	<u>-</u>
Delhi Punjabi Saudagran Foundation	<u>14,781</u>	<u>1,478</u>	<u>14,781</u>	<u>1,478</u>
Habib Asset Management Limited Employees Provident Fund	<u>131,525</u>	<u>13,152</u>	<u>-</u>	<u>-</u>
Key Management executives & their relatives of the Management Company	<u>48,580</u>	<u>4,858</u>	<u>-</u>	<u>-</u>
<b>Connected Party holding 10% or more of the units in issue:</b>	<u>55,635,807</u>	<u>5,563,581</u>	<u>45,630,951</u>	<u>4,563,095</u>

**19 TOTAL EXPENSE RATIO (TER)**

TER of the Fund for the year ended 30 June 2023 is 0.89% which includes 0.10% representing Government levies and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

**20 FINANCIAL RISK MANAGEMENT**

Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

**Risk management framework**

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, NBFC Rules and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

**20.1 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from bank balances, income receivables and deposits etc.

**Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

**Exposure to credit risk**

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Statement of assets and liabilities ----- (Rupees in '000) -----</b>	<b>Maximum exposure</b>	<b>Statement of assets and liabilities ----- (Rupees in '000) -----</b>	<b>Maximum exposure</b>
Bank balances and Term deposit receipt	13,675,517	13,675,517	10,038,254	10,038,254
Profit receivable	169,128	169,128	112,588	112,588
Other receivable	123	2	13	-
Preliminary expenses and floatation costs	593	-	663	-
	<b>13,845,361</b>	<b>13,844,647</b>	<b>10,151,518</b>	<b>10,150,842</b>

**Credit ratings and Collaterals**

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

<b>Ratings</b>	<b>2023 (Percentage)</b>	<b>2022 (Percentage)</b>
AA+ to AA	31.50%	58.08%
AAA	68.50%	41.92%
	<b>100.00%</b>	<b>100.00%</b>

Cash is held only with reputable banks with high quality external credit enhancements.

#### **Concentration of credit risk**

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit risk worthy counterparties thereby mitigating any significant concentration of credit risk.

#### **Past due and impaired assets**

None of the financial assets of the Fund are past due / impaired as at 30 June 2023.

#### **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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## **20.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

#### **Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

#### **Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's liabilities based on contractual maturities is given below:

	<b>30 June 2023</b>			
	<b>Carrying amount</b>	<b>Less than one month</b>	<b>One month to three months</b>	<b>Three months to one year</b>
	<b>(Rupees in '000)</b>			
<b>Non - derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	12,654	12,654	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	1,994	1,994	-	-
Accrued expenses and other liabilities	2,867	1,719	563	585
	<b>17,515</b>	<b>16,367</b>	<b>563</b>	<b>585</b>
Unit holders' Fund	<b>13,806,034</b>	<b>13,806,034</b>	<b>-</b>	<b>-</b>

	30 June 2022			
	Carrying amount	Less than one month	One month to three months	Three months to one year
<b>Non - derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	2,120	2,120	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	424	424	-	-
Accrued expenses and other liabilities	887	50	252	585
	<u>3,431</u>	<u>2,594</u>	<u>252</u>	<u>585</u>
Unit holders' Fund	<u>10,133,885</u>	<u>10,133,885</u>	<u>-</u>	<u>-</u>

### 20.3 Market risk

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### *Management of Market Risk*

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate risk only.

#### 20.3.1 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities and savings bank accounts. Currently the exposure in fixed rate instruments is in Government securities, commercial papers and placements. Other risk management procedures are the same as those mentioned in the credit risk management.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023	2022
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Term deposit receipt	<u>2,650,000</u>	<u>900,000</u>
<b>Variable rate instruments</b>		
Bank balances	<u>11,025,517</u>	<u>9,138,254</u>
None of the financial liabilities carry any interest rate risk.		

#### a) Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by Rs. 105.75 million (2022: 91.38 million), assuming all other variables held constant.

#### b) Fair value sensitivity analysis for fixed rate instruments

As at 30 June 2023, investment in Term deposit receipts exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2023, the net assets of the Fund would have been lower/ higher by Rs. 26.50 million (2022: Rs. 9.00 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		30 June 2023					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
On-balance sheet financial instrument		(Rupees in '000)					
Financial assets							
Bank balances	18.00%-20.50%	11,025,517	-	-	-	-	11,025,517
Term deposit receipts	20.25%-20.50%	-	2,650,000	-	-	-	2,650,000
Profit receivable		-	-	-	-	169,128	-
Other receivable		-	-	-	-	2	2
Total financial assets		11,025,517	2,650,000	-	-	169,130	13,675,519
Financial Liabilities							
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	-	12,654	12,654
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	1,994	1,994
Accrued expenses and other liabilities		-	-	-	-	2,867	2,867
Total financial liabilities		-	-	-	-	17,515	17,515

		30 June 2022					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
On-balance sheet financial instrument		(Rupees in '000)					
Financial assets							
Bank balances	15.50%-16.00%	9,138,254	-	-	-	-	9,138,254
Term deposit receipts	15.95%	900,000	-	-	-	-	-
Profit receivable		-	-	-	-	112,588	112,588
Other receivable		-	-	-	-	-	-
<b>Total financial assets</b>		<b>10,038,254</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>112,588</b>	<b>9,250,842</b>
Financial Liabilities							
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	-	2,120	2,120
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	424	424
Accrued expenses and other liabilities		-	-	-	-	887	887
<b>Total financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,431</b>	<b>3,431</b>

## 20.4 Unit Holders' Fund risk management

Management's objective when managing Unit holders' Fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders and to ensure reasonable safety of Unit holders' Fund. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2023</b>	<b>Note</b>	<b>(Rupees in '000)</b>							
<b>Financial assets - not measured at fair value</b>	<b>21.1</b>								
Saving accounts	4.1	-	11,025,517	-	11,025,517	-	-	-	-
Term deposit receipt	4.2	-	2,650,000	-	2,650,000	-	-	-	-
Profit receivable	5	-	169,128	-	169,128	-	-	-	-
Other receivable		-	2	-	2	-	-	-	-
		-	13,844,647	-	13,844,647	-	-	-	-
<b>Financial liabilities - not measured at fair value</b>	<b>21.1</b>								
Payable to AL Habib Asset Management Limited - Management Company	11	-	-	12,654	12,654	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	881	881	-	-	-	-
Accrued expenses and other liabilities	8	-	-	2,867	2,867	-	-	-	-
		-	-	16,402	16,402	-	-	-	-
<b>30 June 2022</b>	<b>Note</b>	<b>(Rupees in '000)</b>							
<b>Financial assets - not measured at fair value</b>	<b>21.1</b>								
Saving accounts	4.1	-	9,138,254	-	9,138,254	-	-	-	-
Term deposit receipt	4.2	-	900,000	-	900,000	-	-	-	-
Profit receivable	5	-	112,588	-	112,588	-	-	-	-
Other receivable		-	-	-	-	-	-	-	-
		-	10,150,842	-	10,150,842	-	-	-	-
<b>Financial liabilities - not measured at fair value</b>	<b>21.1</b>								
Payable to AL Habib Asset Management Limited - Management Company	11	-	-	2,120	2,120	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	12	-	-	424	424	-	-	-	-
Accrued expenses and other liabilities	8	-	-	887	887	-	-	-	-
		-	-	3,431	3,431	-	-	-	-

**21.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## **22 PATTERN OF UNITHOLDING**

Unit holding pattern of the Fund as at 30 June 2023 is as follows:

<b>Category</b>	<b>Number of unit holders</b>	<b>Number of units</b>	<b>Investment amount (Rupees in '000)</b>	<b>Percentage of total investment</b>
Individuals	41	1,345,882	134,588	1.63%
Associated Companies and Directors	2	6,096,552	609,655	7.40%
Retirement Funds	47	58,271,846	5,827,185	70.74%
Others	1	16,659,852	1,665,985	20.22%
	<b>91</b>	<b>82,374,132</b>	<b>8,237,413</b>	<b>100.00%</b>

Unit holding pattern of the Fund as at 30 June 2022 is as follows:

<b>Category</b>	<b>Number of unit holders</b>	<b>Number of units</b>	<b>Investment amount (Rupees in '000)</b>	<b>Percentage of total investment</b>
Individuals	22	252,561	25,256	0.25%
Associated Companies and Directors	1	1,011,303	101,130	1.00%
Retirement Funds	4	539,920	53,992	0.53%
Others	12	99,535,068	9,953,507	98.22%
	<b>39</b>	<b>101,338,852</b>	<b>10,133,885</b>	<b>100.00%</b>

## **23 FINANCIAL INSTRUMENTS BY CATEGORY**

	<b>30 June 2023</b>		
	<b>At Amortised cost</b>	<b>At fair value through profit or loss</b>	<b>Total</b>
	<b>(Rupees in '000)</b>		
<b>Financial Assets</b>			
Saving accounts	11,025,517	-	11,025,517
Term deposit receipt	2,650,000	-	2,650,000
Profit receivable	169,128	-	169,128
	<b>13,844,645</b>	<b>-</b>	<b>13,844,645</b>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	12,654	-	12,654
Payable to Central Depository Company of Pakistan Limited - Trustee	881	-	881
Accrued expenses and other liabilities	2,867	-	2,867
	<b>16,402</b>	<b>-</b>	<b>16,402</b>
	<b>30 June 2022</b>		
	<b>At Amortised cost</b>	<b>At fair value through profit or loss</b>	<b>Total</b>
	<b>(Rupees in '000)</b>		
<b>Financial Assets</b>			
Saving accounts	9,138,254	-	9,138,254
Term deposit receipt	900,000	-	900,000
Profit receivable	112,588	-	112,588
	<b>10,150,842</b>	<b>-</b>	<b>10,150,842</b>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	2,120	-	2,120
Payable to Central Depository Company of Pakistan Limited - Trustee	424	-	424
Accrued expenses and other liabilities	887	-	887
	<b>3,431</b>	<b>-</b>	<b>3,431</b>



**24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

Name	Designation	Qualification	Experience
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	23
Mr. Ahmed Abbas	Fund Manager	MCS & MBA	22
Mr. Talha A. Siddiqui	Fund Manager (Equities)	M. Sc (Economics)	10
Mr. Muhammad Shayan	Manager Investments	MBA & CFA level II	4

- 24.1** Mr. Ahmed Abbas is also Fund Manager of AL Habib Cash Fund, AL Habib Money Market Fund, AL Habib Income Fund, AL Habib Islamic Savings Funds, AL Habib Islamic Income Fund, AL Habib Fixed Return Fund, AL Habib Islamic Pension Fund and AL Habib Islamic Munafa Fund.

**25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave	
Mr. Abbas D. Habib	4	3	3	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Mr. Imran Azim	4	3	3	96th Meeting
Ms. Zarin Aziz	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi (CEO)	4	4	-	-

**26 GENERAL**

- 26.1** Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to confirm with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

- 26.1.1** Corresponding figures are for the period from 20th December 2021 to 30th June 2022 and therefore are not comparable with the current year figures.

**27 DATE OF AUTHORIZATION FOR ISSUE**

- 27.1** These financial statements were authorised for issue by the board of directors of the Management Company on 17 August, 2023.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2023****Fund Objective**

The investment objective of the AHICF is to provide its unit-holders optimum returns from a Shariah compliant portfolio of low risk and short duration assets while being highly liquid.

**Fund Objective Achieved:**

The Fund has achieved its stated objective.

**Performance Review**

The return of the fund for FY23 was 16.69%.

**Strategies and Policies Employed during the period under review**

The AHICF maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Fund, wherein major portion of investment was held with "AAA" rated Banks.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open End - Shariah Compliant Money Market	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	December 20, 2021	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	Three months average deposit rates of 3 AA rated Islamic Banks/Islamic windows of conventional banks as selected by MUFAP	<b>Sales Load</b>	3% (Management has the discretion to reduce or waive load on any transaction)
<b>Pricing Mechanism</b>	Backward Pricing	<b>Minimum Investment</b>	Rs. 5,000
<b>Risk Profile</b>	Very Low (Principal at very low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Fund Stability Rating</b>	AA+(f) by PACRA
<b>Trustee</b>	Central Depository Company of Pakistan Limited.		

**Market Review**

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63
3 Years	19.47	13.45	6.02
5 Years	16.08	12.93	3.15

Policy Rate		
Date	Policy Rate	Change (Bps)
July 13, 2022	15	125
November 28, 2022	16	100
January 24, 2023	17	100
March 3, 2023	20	300
April 5, 2023	21	100
June 27, 2023	22	100

#### Asset Allocation of Fund

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	75.69%	90.01%
TDR	18.97%	8.87%
Others	5.34%	1.12%

#### Breakdown of Unit Holdings by Size:

Size of Unit Holding (Units)	# of Unit Holders
1-1000	30
1001-50000	69
50001-500000	34
500001-5000000	19
5000001-10000000	7
<b>Total</b>	<b>159</b>

#### Income Distribution

AHICF made a total distribution of Rs. 15.22 during FY23 in the form of dividend. EX-NAV of the fund after each dividend becomes Rs. 100

#### Sales and Redemptions of Units

During the year, 614,380,974 units valued of Rs. 61.65 Bn. were sold, while 288,829,740 units valued Rs. 28.87 Bn. were redeemed, resulting in to a net sale of 325,551,235 units valued Rs. 32.78 Bn.

#### Unit Holders Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

## AL HABIB ISLAMIC CASH FUND

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### AHICF Performance at a Glance

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	13.806	10.13
NAV per unit as at June 30 (Rs. )	100.00	100.00
Distribution during the year ended June 30 (Rs. )	15.22	5.8051
Annual Return	16.69%	11.38%
Benchmark	6.23%	3.99%

### During the period under question

There has been no significant change in the state of affairs of the Fund. AL Habib Islamic Cash Fund does not have any soft commission arrangement with any broker in the industry.

### Disclosure

There are no material circumstances affecting unit holder interests.

**AL HABIB ISLAMIC INCOME FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION**

**Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

**Rating**

AA(f) Fund Stability Rating, Rating by PACRA  
AM2+ Management Company Quality Rating  
Assigned by PACRA.

**Bankers to the Fund**

Bank Al Habib Limited  
Bank Islami Pakistan Limited  
Faysal Bank Limited  
Al Baraka Bank

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel : (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB ISLAMIC INCOME FUND**

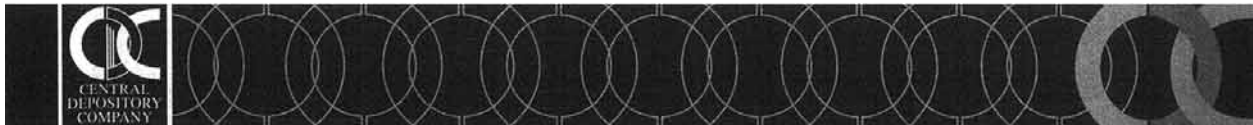
**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of AL Habib Islamic Income Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023





**REVIEW REPORT OF THE SHARIAH ADVISOR**

As a Shariah Advisor of the **AL Habib Islamic Income Fund (AHIF)**, I am issuing this report. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with Shariah guidelines. My responsibility is to express an opinion, based on my 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, I hereby certify that:

- I have reviewed and approved the modes of investment of AHIF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of AHIF 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 AHIF for the period from July 01, 2022 to June 30, 2023 have been in compliance with Shariah principles.



**Dr. Mufti Ismatullah Hamdullah**  
Shariah Advisor

Date: June 30, 2023



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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ey.com/pk

## Independent Reasonable Assurance Report to the Unit Holders in respect of Shariah Compliance

### 1. Introduction

We were engaged by the Board of Directors of Al Habib Asset Management Limited (the Management Company) to report on the Shariah compliance of **Al Habib Islamic Income Fund** (the Fund), as set out in the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments for the year ended **30 June 2023**, in the form of an independent reasonable assurance conclusion. Our engagement was carried out as required under clause 11.5 of trust deed of the Fund.

### 2. Applicable Criteria

The criteria against which the Shariah Compliance of the Fund is assessed is the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 3. Responsibilities of the Management Company

It is the responsibility of the Management Company of the Fund to ensure Shariah compliance with Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. This responsibility includes designing, implementing, and maintaining appropriate internal controls to ensure that operations of the Fund and its investments and placements have been made in compliance with respect to Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Chartered Accountants* issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shariah expert.

### 5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion on Shariah Compliance of the Fund, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), '*Assurance Engagements other than audits or reviews of historical financial statements*' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Fund is Shariah Compliant in accordance with its Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in all material respects.



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The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Management Company's internal control over the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, and consequently cannot provide absolute assurance that the objective of compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

Amongst others, our scope included procedures to:

- Check compliance of Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.
- Check that the Shariah Advisor has certified that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2023 are in compliance with the Shariah principles.

In performing our audit procedures necessary guidance on Shariah matters was provided by the internal Shariah experts.

We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

#### 6. Conclusion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments during the year ended 30 June 2023.

Date: 28 September 2023  
Karachi

Signature  
Chartered Accountants

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Arslan Khalid  
Assurance Engagement Partner



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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## **INDEPENDENT AUDITORS' REPORT**

**To the Unit holders of AL Habib Islamic Income Fund**

**Report on the Audit of the Financial Statements**

### **Opinion**

We have audited the financial statements of **AL Habib Islamic Income Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

### **Basis for Opinion**

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

### **Key Audit Matters**

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





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Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Debt Instruments</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of debt investments which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement and valuations on the basis of prices determined by Mutual Funds Association of Pakistan (MUFAP).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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

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

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

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

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

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

Chartered Accountants

Date: 28 September 2023

Karachi

UDIN Number: AR202310191IoIJhCs9B



**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances and Term deposits receipts	4	3,871,139	6,939,307
Investments	5	1,218,655	2,389,898
Profit receivable	6	87,106	155,524
Advance and deposits	7	10,309	9,513
<b>Total assets</b>		<b>5,187,209</b>	<b>9,494,242</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	13	5,246	2,560
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee	8	365	525
Payable to Securities and Exchange Commission of Pakistan (SECP)	9	1,251	1,792
Payable against purchase of investment		154	1,040,225
Payable against redemption of units	17	12,000	87
Accrued expenses and other liabilities	10	19,659	31,175
<b>Total liabilities</b>		<b>38,675</b>	<b>1,076,364</b>
<b>Net assets</b>		<b>5,148,534</b>	<b>8,417,878</b>
<b>Unit holders' Fund (as per the statement attached)</b>		<b>5,148,534</b>	<b>8,417,878</b>
<b>Contingencies and Commitments</b>			
	11		
		(Number of units)	
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>50,945,056</b>	<b>83,592,275</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>101.06</b>	<b>100.70</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Income</b>			
Profit on bank deposits	12	387,941	332,758
Profit on term deposits		73,835	-
Profit / return on investments		435,282	426,955
Profit on deposit with NCCPL		1,110	433
Net gain on investments designated as 'at fair value through profit or loss'			
- Gain on sale of Sukuk Certificates	5.2	32,136	3,918
- Net unrealized gain on revaluation of investments	5.3	2,619	25,599
		34,755	29,517
<b>Total income</b>		<b>932,923</b>	<b>789,663</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	13	22,654	39,028
Sindh Sales Tax on Management Company's remuneration	13.1	2,945	5,074
Expense Allocated by Management Company	14	9,071	15,222
Remuneration of Central Depository Company of Pakistan Limited (CDC) - Trustee	8	4,691	6,719
Sindh Sales Tax on Trustee's remuneration	8.1	610	874
Annual fee to the Securities and Exchange Commission of Pakistan (SECP)	9	1,251	1,792
Brokerage expense		394	1,340
Settlement and bank charges		318	418
Annual listing fee		25	30
Auditor's remuneration	15	707	545
Amortization of preliminary expenses and floatation costs		-	189
Printing charges		65	66
Other expenses		3	-
Mutual fund rating fee		146	163
<b>Total expenses</b>		<b>42,880</b>	<b>71,460</b>
<b>Net income from operating activities</b>		<b>890,043</b>	<b>718,203</b>
Reversal for Sindh Workers' Welfare Fund (SWWF)		-	24,627
<b>Net income for the year before taxation</b>		<b>890,043</b>	<b>742,830</b>
Taxation	16	-	-
<b>Net income for the year after taxation</b>		<b>890,043</b>	<b>742,830</b>
<b>Allocation of net income for the year after taxation</b>			
Net income for the year		890,043	742,830
Income already paid on units redeemed		(424,317)	(281,856)
		<b>465,726</b>	<b>460,974</b>
<b>Accounting income available for distribution:</b>			
- Relating to capital gains		34,755	29,517
- Excluding capital gains		430,971	431,457
		<b>465,726</b>	<b>460,974</b>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	(Rupees in '000)	
<b>Net income for the year after taxation</b>	465,726	742,830
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<u>465,726</u>	<u>742,830</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
	(Rupees in '000)					
Net assets at beginning of the year	8,356,553	61,325	8,417,878	14,087,993	41,784	14,129,777
Issuance of units 160,006,422 (30 June 2022: 217,714,693)						
Including additional 3,382,753 units (30 June 2022: 2,329,663 units)						
issued at nil value						
- Capital value	16,112,647	-	16,112,647	21,658,903	-	21,658,903
- Element of Income	404,571	-	404,571	624,681	-	624,681
Amount received on issuance of units	16,517,218	-	16,517,218	22,283,584	-	22,283,584
Redemption of 192,653,641 units (30 June 2022: 274,634,712)						
- Capital Value	(19,400,222)	-	(19,400,222)	(27,616,992)	-	(27,616,992)
- Element of loss	(65,483)	(424,317)	(489,800)	(163,761)	(281,856)	(445,617)
Amount paid on redemption of units	(19,465,705)	(424,317)	(19,890,022)	(27,780,753)	(281,856)	(28,062,609)
Total comprehensive income for the year	-	890,043	890,043	-	742,830	742,830
Interim distribution for the year ended 30 June 2022:						
Rs. 8.6172 per unit (30 June 2021: 6.1992 per unit)	(340,643)	(445,940)	(786,583)	(234,271)	(441,433)	(675,704)
Net income for the year less distribution	(340,643)	444,103	103,460	(234,271)	301,397	67,126
Net assets at end of the year	5,067,423	81,111	5,148,534	8,356,553	61,325	8,417,878
Undistributed income brought forward						
- Realised gain / (loss)		35,726			(6,861)	
- Unrealised gain		25,599			48,645	
		61,325			41,784	
Accounting income available for distribution						
- Relating to capital gains		34,755			29,517	
- Excluding capital gains		430,971			431,457	
		465,726			460,974	
Interim distribution for the year ended 30 June 2022:						
Rs. 8.6172 per unit (30 June 2021: 6.1992 per unit)		(445,940)			(441,433)	
Undistributed income carried forward		81,111			61,325	
Undistributed income carried forward comprise of:						
- Realised gain		78,492			35,726	
- Unrealised gain		2,619			25,599	
		81,111			61,325	
	(Rupees)			(Rupees)		
Net assets value per unit at beginning of the year		100.70			100.56	
Net assets value per unit at end of the year		101.06			100.70	

The annexed notes 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2023

	Note	2023 (Rupees in '000)	2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year before taxation		890,043	742,830
<b>Adjustments for:</b>			
Unrealized gain on revaluation of investments		(2,619)	(25,599)
(Reversal) / Provision for Sindh Workers' Welfare Fund (SWWF)		-	(24,627)
Amortization of preliminary expenses and floatation costs		-	189
Profit on bank deposits		(387,941)	(332,758)
Profit on term deposits		(73,835)	-
Profit / return on investments		(435,282)	(426,955)
Profit on deposit with NCCPL		(1,110)	(433)
		(10,744)	(67,353)
<i>Decrease in assets</i>			
Investments		1,173,862	4,258,825
Receivable against sale of investment		-	78,914
Advance and deposits		(796)	4
		1,173,066	4,337,743
<i>(Decrease) / Increase in liabilities</i>			
Payable to the AL Habib Asset Management Limited - Management Company		2,686	(8,136)
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		(160)	(664)
Payable to Securities and Exchange Commission of Pakistan (SECP)		(541)	(636)
Payable against purchase of investment		(1,040,071)	1,040,225
Payable against redemption of units		11,913	-
Accrued expenses and other liabilities		(11,516)	22,229
		(1,037,689)	1,053,018
Profit on bank deposits and term deposit receipt received		465,359	319,428
Profit / return on investments received		500,117	465,958
Profit received on deposit with NCCPL		1,110	433
<b>Net cash generated from operating activities</b>		<b>1,091,219</b>	<b>6,109,227</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		16,517,218	22,283,584
Payments on redemption of units		(19,890,022)	(28,069,566)
Dividend paid		(786,583)	(675,704)
<b>Net cash used in from financing activities</b>		<b>(4,159,387)</b>	<b>(6,461,686)</b>
<b>Net increase in cash and cash equivalents during the year</b>		<b>(3,068,168)</b>	<b>(352,459)</b>
Cash and cash equivalents at beginning of the year		6,939,307	7,291,766
Cash and cash equivalents at end of the year		<u>3,871,139</u>	<u>6,939,307</u>
<b>Cash and cash equivalent comprise of:</b>			
Bank balances and Term deposits receipts	4	<u>3,871,139</u>	<u>6,939,307</u>
		<u>3,871,139</u>	<u>6,939,307</u>

The annexed notes 1 to 27 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1. LEGAL STATUS AND NATURE OF BUSINESS**

**1.1** AL Habib Islamic Income Fund ("the Fund") was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 30 August 2016 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 22 August 2016 under Rule 67 of the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on 15 October 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

**1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan.

The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange (PSX). Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.

**1.3** The Fund has been categorized as a Shariah Compliant (Islamic) Income Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan (SECP) for categorisation of Collective Investment Schemes (CIS).

Title to the assets of the Fund are held in the name of Central Depository Company Limited (CDC) as a Trustee of the Fund.

**1.4** The Fund has been formed to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to unit holders along with facility to join or leave the Fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.

Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' and 'AA(f)' to the Management Company and the Fund respectively.

**2. BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
- Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and requirements of the trust deed.
- Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations and requirements of the trust deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations and the requirements of the trust deed have been followed.

**2.2 New / Revised Standards, Interpretations and Amendments**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized
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.	

## 2.4 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets and provision under uncertain circumstances such as taxes recoverable as disclosed in note 08 respectively.

## 2.5 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments which are required to be stated at fair value.

## 2.6 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand rupees.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.



### 3.2.2 Classification

#### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

#### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### 3.2.5 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Debt investments at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Debt investments at FVTPL</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Equity instruments at FVOCI</b>	<p>Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.</p> <p>Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.</p>
<b>Equity investments at FVTPL</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Debt securities (Government securities)**

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

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

### 3.2.6 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 3.2.7 Impairment of financial assets

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

### 3.2.8 Regular way contracts

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

### 3.2.9 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset."

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### **3.2.10 Offsetting of financial instruments**

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

### **3.3 Financial liabilities**

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

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

### **3.4 Unit holders' Fund**

Unit holders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.5 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

### **3.6 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

### **3.7 Net asset value - per unit**

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

### **3.8 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

**3.9 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

**3.10 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

**3.11 Expenses**

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

**3.12 Provisions**

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

**3.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of five years commencing from 08 November 2017 as per the Trust Deed of the Fund.

**3.14 Distribution**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

**3.15 Earnings per unit (EPU)**

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the Management, determination of weighted average units for calculating EPU is not practicable.

**4 BANK BALANCES AND TERM DEPOSIT RECEIPTS**

	Note	2023 (Rupees in '000)	2022
Savings Accounts	4.1	3,271,010	6,938,795
Current Accounts	4.2	129	512
Term Deposit Receipts	4.3	600,000	-
		<u>3,871,139</u>	<u>6,939,307</u>

## AL HABIB ISLAMIC INCOME FUND

4.1 The profit rates effective at year end on these accounts range from 6.75% to 20.00% (30 June 2022: 14.75% to 16.20%) per annum. It includes balance of Rs. 504.952 million (30 June 2022: Rs 3,640.57 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 19.75% (30 June 2022: 15.50%) per annum.

4.2 This relates to balance with Bank AL Habib Limited (ultimate parent), a related party.

4.3 The profit rate effective at year end is 14.15% to 20.50% (30 June 2022: Nil) per annum. Its original maturity was three months or less and qualifies for Cash and cash equivalents.

### 5 INVESTMENTS

#### Investments by Category

#### At fair value through profit or loss

Investment in Sukuk Certificates

Note	2023 (Rupees in '000)	2022
5.1	1,218,655	2,389,898
	<u>1,218,655</u>	<u>2,389,898</u>

#### 5.1 Sukuk Certificates

Name of the Investee		As at 30 June 2023				Market value as percentage of				
		As at 01 July 2022	Purchased during the year	Sold / matured during the year	As at 30 June 2023	Carrying value	Market value	Unrealised gain / (loss)	Net Assets	Total investments
Unquoted	Note	-----Number of Certificates-----				----- (Rupees in '000) -----				
Ghani Chemicals Industries Limited (certificates of Rs. 12,500 each)	5.1.1	105	-	-	105	1,256	1,207	(49)	0.02%	0.10%
Meezan Bank Limited Sukuk (certificates of Rs. 1,000,000 each)	5.1.1	275	-	-	275	282,454	276,394	(6,060)	5.37%	22.68%
Pakistan Energy Sukuk (certificates of Rs. 5,000 each)		24,900	-	24,900	-	-	-	-	0.00%	0.00%
Meezan Bank Limited - TIER II Mudaraba Sukuk (certificates of Rs. 1,000,000 each)	5.1.1	-	250	-	250	246,550	247,500	950	4.81%	20.31%
Dubai Islamic Bank Sukuk (14-07-2017) (certificates of Rs. 1,000,000 each)		397	-	397	-	-	-	-	0.00%	0.00%
Dubai Islamic Bank Sukuk (02-12-2022) (certificates of Rs. 1,000,000 each)	5.1.1	-	222	-	222	221,533	222,304	771	4.32%	18.24%
Engro Polymer & Chemical Limited Sukuk (certificates of Rs. 100,000 each)		4,630	1,732	6,362	-	-	-	-	0.00%	0.00%
Gas and Oil Pakistan Limited Sukuk (certificates of Rs. 1,000,000 each)	5.1.1	75	-	70	5	4,334	4,673	339	0.09%	0.38%
Quoted										
GOP Ijara Sukuk 1 Year VRR (17-04-2023) (certificates of Rs. 100,000 each)	5.1.1	-	500	-	500	50,000	50,000	-	0.97%	4.10%
GOP Ijara Sukuk 1 Year VRR (17-04-2023) (certificates of Rs. 100,000 each)	5.1.1	-	1,250	-	1,250	125,000	125,000	-	2.43%	10.26%
GOP Ijara Sukuk VRR (29-07-2020) (certificates of Rs. 100,000 each)		10,000	4,820	14,820	-	-	-	-	0.00%	0.00%
GOP Ijara Sukuk FRR (22-05-2023) (certificates of Rs. 100,000 each)		-	2,000	2,000	-	-	-	-	0.00%	0.00%
GOP Ijara Sukuk VRR (26-10-2022) (certificates of Rs. 100,000 each)	5.1.1	-	36,520	36,360	160	15,763	15,957	194	0.31%	1.31%
GOP Ijara Sukuk (29-05-2020) (certificates of Rs. 100,000 each)	5.1.1	-	120,000	64,520	55,480	269,148	275,620	6,472	5.35%	22.62%
Total as at 30 June 2023						1,216,038	1,218,655	2,617		
Total as at 30 June 2022						2,364,299	2,389,898	48,645		

## 5.1.1 Significant terms and conditions of Sukuk Certificates outstanding at the year end are as follows:

Name of security	Number of Certificates	Repayment frequency	Unredeemed face value per Sukuk (Rupees)	Profit rate (per annum)	Issue date	Maturity date	Rating
<b>Sukuk Certificates</b>							
<u><b>Unquoted</b></u>							
Ghani Chemicals Industries Limited	105	Quarterly	12,500	3 Months KIBOR plus 1%	2-Feb-17	2-Feb-24	A
Meezan Bank Limited Sukuk	275	Semi Annual	1,000,000	6 Months KIBOR plus 1%	9-Jan-20	9-Jan-30	AAA
Meezan Bank Limited - TIER II Mudaraba Sukuk	250	Semi Annual	1,000,000	6 Months KIBOR plus 0.35%	16-Dec-21	16-Dec-31	AAA
Dubai Islamic Bank Sukuk (02-12-2022)	222	Semi Annual	1,000,000	6 Months KIBOR plus 0.70%	2-Dec-22	2-Dec-32	AA-
Gas and Oil Pakistan Limited Sukuk	5	Quarterly	875,000	3 Months KIBOR plus 1.75%	30-Dec-21	30-Dec-26	AA-
<u><b>Quoted</b></u>							
GOP Ijara Sukuk 1 Year VRR (17-04-2023)	500	Semi Annual	100,000	21.90%	26-Jun-23	26-Jun-24	AAA
GOP Ijara Sukuk 1 Year VRR (17-04-2023)	1,250	Semi Annual	100,000	T-Bill 6 Months W.A Yeild + 65bps	26-Jun-23	26-Jun-24	AAA
GOP Ijara Sukuk (29-05-2020)	55,480	Semi Annual	100,000	T-Bill 6 Months W.A Yeild + 65bps	29-May-20	29-May-25	AAA
GOP Ijara Sukuk VRR (26-10-2022)	160	Semi Annual	100,000	T-Bill 6 Months W.A Yeild	26-Oct-22	26-Oct-27	AAA

## 5.2 Gain on sale of Sukuk Certificates

These includes gain on sale of Sukuk Certificates amounting to Rs. 32.136 million (2022: Rs. 3.918 million)

## 5.3 Net unrealized gain on revaluation of investments

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
Investment in Sukuk Certificates		<u>2,617</u>	<u>25,599</u>
		<u>2,617</u>	<u>25,599</u>

## 6 PROFIT RECEIVABLE

Profit accrued on Sukuk Certificates	<u>36,991</u>	101,826
Profit receivable on savings deposits	<u>37,831</u>	53,698
Profit receivable on Term Deposits	<u>12,284</u>	-
	<u>87,106</u>	<u>155,524</u>

## 7 Advance and deposits

Deposit with National Clearing Company of Pakistan Limited	<u>1,000</u>	2,500
Deposit with Central Depository Company of Pakistan Limited	<u>100</u>	100
Mutual fund rating fee	-	87
Advance tax	<u>9,209</u>	6,826
	<u>10,309</u>	<u>9,513</u>

7.1 The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015, made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR, various withholding agents have deducted advance tax under section 151 of ITO 2001. The management is confident that the same will be refunded in due course.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

**8 PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Document based on the daily Net Asset Value of the Fund. The remuneration is paid to the Trustee on monthly basis in arrears. The tariff structure applicable to the Fund in respect of the trustee fee has been revised effective from 01 July 2019, whereby the revised tariff is 0.075% of average daily net assets of the Fund.

8.1 Sindh Sales Tax has been charged at 13% (30 June 2022:13%) on the trustee's remuneration during the year.

**9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)**

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% (30 June 2022: 0.02%) of net assets in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated 28 June 2019.

**10 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2023	2022
	(Rupees in '000)	
Auditor's remuneration	667	382
Payable against printing charges	153	88
Withholding tax payable	9,434	24,404
Capital gain tax payable	8,554	5,584
Brokerage Payable	495	566
Settlement charges	146	2
Others	210	149
	<u>19,659</u>	<u>31,175</u>

**11 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

**12 PROFIT ON BANK DEPOSITS**

	Note	2023	2022
		(Rupees in '000)	
Saving accounts	12.1	<u>387,941</u>	<u>332,758</u>

12.1 It represents profit on deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. 148.538 million (30 June 2022: Rs 47.313 million).

**13 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the Fund. The Management has charged its remuneration at rate ranging from 0% to 10% of the gross earnings with a maximum of 10% of the gross earnings with a minimum of 0% of the gross earnings (30 June 2022: 10% of the gross earnings with a maximum of 1.5% and a minimum of 0.5% of the gross earnings) of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

13.1 Sindh Sales Tax has been charged at 13% (30 June 2022:13%) on the Management Company's remuneration during the year.

**14 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged Rs. 9.071 million (30 June 2022: 15.222 million) to the Fund.

**15 AUDITOR'S REMUNERATION**

	2023	2022
	(Rupees in '000)	
Annual audit fee	360	275
Half yearly review fee	164	150
Review report on Shariah Compliance	120	80
Out of pocket expenses	63	40
Certification	-	-
	<u>707</u>	<u>545</u>



## 16 TAXATION

The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than ninety percent of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2023.

## 17 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES

	Receivable against issuance of units	Payable against redemption of units	Total
	----- (Rupees in '000) -----		
Opening balance as at 01 July 2022	-	87	87
Receivable against issuance of units	16,517,218	-	16,517,218
Payable against redemption of units	-	(19,890,022)	(19,890,022)
	16,517,218	(19,890,022)	(3,372,804)
Amount received on issuance of units	(16,517,218)	-	(16,517,218)
Amount paid on redemption of units	-	19,878,109	19,878,109
	(16,517,218)	19,878,109	3,360,891
<b>Closing balance as at 30 June 2023</b>	<b>-</b>	<b>(12,000)</b>	<b>(12,000)</b>

## 18 TRANSACTIONS WITH CONNECTED PERSONS

## S.No Company Name

## Relationship

1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent
3	AL Habib Capital Market Company	Subsidiary of Bank AL Habib Limited
4	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Islamic Savings Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties includes directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.

**18.1** The details of significant transactions carried out by the Fund with connected persons and balances with them at the year end are as follows:

Details of transactions with connected persons are as follows:

	2023	2022
	(Rupees in '000)	
<b>AL Habib Asset Management Limited - Management Company</b>		
- Management Remuneration	22,654	39,028
- Sindh Sales Tax on Management Company's remuneration	2,945	5,074
- Expense Allocated by Management Company	9,071	15,222
- Dividend paid	10,165	-
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Trustee Remuneration	4,691	6,719
- Sindh Sales Tax on Trustee Remuneration	610	874
<b>Bank AL Habib Limited</b>		
- Dividend paid	3,617	1,685
- Profit on Bank deposits	148,538	47,313

Details of balances with connected persons at year end are as follows:

<b>Parent Company</b>		
Bank AL Habib Limited	504,952	3,640,573
Profit Receivable on bank deposits	29,355	10,159
<b>AL Habib Asset Management Limited - Management Company</b>		
Management Company fee payable	5,246	2,560
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
- Remuneration payable	365	525
- Security deposit - Non interest bearing	100	100

	2023		2022	
<u>Units sold to:</u>	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Management Company</b>				
AL Habib Asset Management Limited	-	-	13,385,962	1,357,704
<b>Parent Company</b>				
Bank AL Habib Ltd.	-	-	27,352,050	2,800,474
<b>Associated Companies</b>				
- Bank AL Habib Limited	-	-	-	-
<b>Other related parties</b>				
Directors and their spouse	97,729	9,897	533,254	54,657
Key executives of the Management Company	156,636	9,701	91,385	9,369
Habib Insurance Company Limited - OTF	5	1	-	-
Habib Asset Management Limited Employees Provident Fund	79,428	8,070	12,415	1,251
<b>Units sold to Connected Parties holding 10% or more of the units in issue</b>	8,731,069	887,944	102,927,705	10,760,657
Treet Corporation Limited - Group Employees' Superannuation Fund	-	-	6,662	667

	2023		2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units redeemed by:</b>				
<b>Management Company</b>				
AL Habib Asset Management Limited	-	-	13,535,859	1,374,705
<b>Parent Company</b>				
Bank AL Habib Ltd.	-	-	27,352,050	2,810,491
<b>Other related parties</b>				
Directors and their spouse	256,169	26,190	2,874,569	293,778
Key executives of the Management Company	159,695	9,992	44,448	4,533
Habib Asset Management Limited Employees Provident Fund	116,721	12,052	-	-
<b>Connected Parties holding 10% or more of the units in redeemed</b>	<b>23,703,175</b>	<b>2,415,787</b>	<b>71,162,103</b>	<b>7,270,371</b>
Treet Corporation Limited - Group Employees' Superannuation Fund			339,194	34,149
<b>Units held by:</b>				
<b>Management Company</b>				
AL Habib Asset Management Limited	4,764,396	481,493	-	-
<b>Parent Company</b>				
- Bank AL Habib Limited	250,421	25,308	250,421	25,217
<b>Other related parties</b>				
Key executives of the Management Company	226,413	22,885	40,929	4,122
Directors and their spouse	183,380	18,532	375,934	37,857
Habib Asset Management Limited Employees Provident Fund	-	-	37,293	3,755
Habib Insurance Company Limited - OTF	4	42	-	-
<b>Units held by Connected Persons holding 10% or more of the units in issue:</b>	<b>36,652,665</b>	<b>3,704,140</b>	<b>65,583,325</b>	<b>6,604,241</b>

## 19 RISK MANAGEMENT

### Introduction and overview

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

### Risk management framework

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

The Fund invests in spread transactions, secured and unsecured sukus, placement of funds under Musharakahs. Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the BOD of Management Company. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Rules and NBFC Regulations and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

**19.1 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end, it arises principally from bank balances, investment in debt securities, profit receivable and deposits.

**Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and NBFC regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner;

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

**Exposure to credit risk**

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Statement of assets and liabilities</b>	<b>Maximum exposure</b>	<b>Statement of assets and liabilities</b>	<b>Maximum exposure</b>
	<b>(Rupees in '000)</b>		<b>(Rupees in '000)</b>	
Bank balances and Term deposit receipts	<b>3,871,139</b>	<b>3,871,139</b>	6,939,307	6,939,307
Investments	<b>1,218,655</b>	<b>1,218,655</b>	2,389,898	2,389,898
Profit receivable	<b>87,106</b>	<b>87,106</b>	155,524	155,524
Advances, deposits and other receivables	<b>10,309</b>	<b>1,100</b>	9,513	2,600
	<b><u>5,187,209</u></b>	<b><u>5,178,000</u></b>	<b><u>9,494,242</u></b>	<b><u>9,487,329</u></b>

**Credit ratings and Collaterals**

Credit risk arising on debt securities is mitigated by investing primarily in investment-grade rated instruments published by MUFAP and as determined by Pakistan Credit Rating Agency or VIS.

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

<b>Ratings</b>	<b>2023</b>	<b>2022</b>
	<b>(Percentage)</b>	
A+ to A	<b>0.04%</b>	16.69%
AA+ to AA-	<b>30.87%</b>	23.04%
AAA	<b>69.09%</b>	60.27%
	<b><u>100.00%</u></b>	<b><u>100.00%</u></b>

Cash is held only with reputable banks with high quality external credit enhancements.

**Investment in debt securities**

Credit risk on debt investments is mitigated by investing primarily in investment grade rated investments and purchase certificate of investments or make placements with financial institutions having sound credit rating.

Ratings	2023	2022
	(Percentage)	
AA+ to AAA	87.45%	79.69%
AA-	12.48%	20.31%
A+ to A-	0.07%	0.00%
	<u>100.00%</u>	<u>100.00%</u>

#### Advances, deposits and other receivables

Deposits are placed with National Clearing Company of Pakistan Limited (NCCPL) and Central Depository Company of Pakistan Limited (CDC) for the purpose of effecting transaction 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 affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure.

As at year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

	2023	2022
	(Percentage)	
Banks	76.04%	74.36%
Others	23.94%	25.61%
Financial services	0.02%	0.03%
	<u>100.00%</u>	<u>100.00%</u>

#### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired. No provisions have been booked during the year.

#### 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 an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## 19.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

#### Management of Liquidity Risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

**19.2.1 Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

Non-derivative financial liabilities	2023			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Payable to AL Habib Asset Management Limited - Management Company	5,246	5,246	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	365	365	-	-
Payable against purchase of investment	154	154	-	-
Payable against redemption of units	12,000	12,000	-	-
Accrued expenses and other liabilities	1,671	509	1,162	-
	<b>19,436</b>	<b>18,274</b>	<b>1,162</b>	<b>-</b>
Unit holders' Fund	<b>5,148,534</b>	<b>5,148,534</b>	<b>-</b>	<b>-</b>
Non-derivative financial liabilities	2022			
	Carrying amount	Less than one month	One to three months	Three months to one year
	(Rupees in '000)			
Payable to AL Habib Asset Management Limited - Management Company	2,560	2,560	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	525	525	-	-
Payable against purchase of investment	1,040,225	1,040,225	-	-
Payable against redemption of units	87	87	-	-
Accrued expenses and other liabilities	1,187	239	948	-
	<b>1,044,584</b>	<b>1,043,636</b>	<b>948</b>	<b>-</b>
Unit holders' Fund	<b>8,417,878</b>	<b>8,417,878</b>	<b>-</b>	<b>-</b>

**19.3 Market risk**

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

**Management of market risks**

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. Fund is exposed to interest rate risk only.

**19.3.1 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Sukuk certificate of investments and Saving accounts. To enhance the earning potential of the Fund, the Fund invests in variable rate instruments as most of the instruments currently available are indexed to KIBOR. The Fund monitors the interest rate environment on a regular basis and alters the portfolio mix of fixed and floating rate securities. Other risk management procedures are the same as those mentioned in the credit risk management.

As at year end, the investment in Sukuk Certificate exposed to interest rate risk is detailed in note 5.1.

As at year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023	2022
	(Rupees in '000)	
<b>Fixed rate instruments</b>		
Term deposit receipts	600,000	-
Investments	50,000	-
	<u>650,000</u>	<u>-</u>
<b>Variable rate instruments</b>		
Bank balances	3,271,010	6,938,795
Investments	1,168,655	2,389,898
	<u>4,439,665</u>	<u>9,328,693</u>

None of the financial liabilities carry any interest rate risk.

**a) Fair value Sensitivity analysis for fixed rate instruments**

As at 30 June 2023, Term deposit receipt exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2023, the net assets of the Fund would have been lower/ higher by Rs. 6.50 million (2022: Nil) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

**b) Cash flow sensitivity analysis for variable rate instruments**

In case of change of 100 basis point in KIBOR on 30 June 2023, the net assets of the Fund would have been lower / higher by Rs. 44.397 million (30 June 2022: Rs 93.287 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's investment portfolio, KIBOR rates and yield matrix calculated by MUFAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of 30 June 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

30 June 2023	Profit rate (%)	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
(Rupees in '000)							
<b>On-balance sheet financial assets</b>							
<i>Financial assets</i>							
Bank balances and Term deposit receipts	18.00% - 20.00%	3,371,139	500,000	-	-	-	3,871,139
Investments	14.15% - 20.50%	-	-	176,207	1,042,448	-	1,218,655
Receivable against sale of investment		-	-	-	-	-	-
Profit receivable		-	-	-	-	87,106	87,106
Advances, deposits and other receivables		-	-	-	-	1,100	1,100
<b>Total financial assets</b>		<u>3,371,139</u>	<u>500,000</u>	<u>176,207</u>	<u>1,042,448</u>	<u>88,206</u>	<u>5,178,000</u>
<i>Financial liabilities</i>							
Payable to the AL Habib Asset Management Limited - Management Company		-	-	-	-	5,246	5,246
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	-	365	365
Accrued expenses and other liabilities		-	-	-	-	1,671	1,671
<b>Total Financial liabilities</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,282</u>	<u>7,282</u>
<b>On-balance sheet gap</b>		<u>3,371,139</u>	<u>500,000</u>	<u>176,207</u>	<u>1,042,448</u>	<u>80,924</u>	<u>5,170,718</u>
<b>Off-balance sheet financial instruments</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Off-balance sheet gap</b>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>



30 June 2022	Profit rate (%)	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
(Rupees in '000)							
<b>On-balance sheet financial assets</b>							
<i>Financial assets</i>							
Bank balances and Term deposit receipts	14.75% - 16.20%	6,939,307	-	-	-	-	6,939,307
Investments	10.45% - 14.77%	-	-	-	2,389,898	-	2,389,898
Receivable against sale of investment		-	-	-	-	-	-
Profit receivable		-	-	-	-	155,524	155,524
Advances, deposits and other receivables		-	-	-	-	2,600	2,600
<b>Total financial assets</b>		<b>6,939,307</b>	<b>-</b>	<b>-</b>	<b>2,389,898</b>	<b>158,124</b>	<b>9,487,329</b>
<i>Financial liabilities</i>							
Payable to the AL Habib Asset Management Limited - Management Company		-	-	-	-	2,560	2,560
Payable to Central Depository Company of Pakistan Limited (CDC) - Trustee		-	-	-	-	525	525
Accrued expenses and other liabilities		-	-	-	-	1,187	1,187
<b>Total Financial liabilities</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,272</b>	<b>4,272</b>
<b>On-balance sheet gap</b>		<b>6,939,307</b>	<b>-</b>	<b>-</b>	<b>2,389,898</b>	<b>153,852</b>	<b>9,483,057</b>
<b>Off-balance sheet financial instruments</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Off-balance sheet gap</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

#### 19.4 Unit holders' Fund risk management

Management's objective when managing Unit holders' Fund is to safeguard the Fund's ability to continue as a going concern so that it can continue to provide optimum returns to its unit holders and to ensure reasonable safety of Unit holders' Fund.

The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions. The Unit holders' Fund structure depends on the issuance and redemption of units.

## 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

IFRS 13, 'Fair Value Measurements' requires the Fund to classify fair value measurements using a fair value hierarchy that reflects the significance of the 'inputs used in making the measurements. The fair value hierarchy has the following levels:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (level 2).
- Unobservable inputs for the asset or liability (level 3).

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.

Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Fair value measurements using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

	Note	Carrying amount				Fair value			
		Fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2023</b>		(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	5.1	1,218,655	-	-	1,218,655	-	1,218,655	-	1,218,655
<b>Financial assets - not measured at fair value</b>	20.2								
Bank balances and Term deposits receipts	4	-	3,871,139	-	3,871,139	-	-	-	-
Profit receivable	6	-	87,106	-	87,106	-	-	-	-
Preliminary expenses and floatation cost	0	-	-	-	-	-	-	-	-
Advance and deposits	7	-	1,100	-	1,100	-	-	-	-
		1,218,655	3,959,345	-	5,178,000	-	1,218,655	-	1,218,655
<b>Financial liabilities - not measured at fair value</b>	20.2								
Payable to the AL Habib Asset Management Limited - Management Company	13	-	-	5,246	5,246	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	8	-	-	365	365	-	-	-	-
Accrued expenses and other liabilities	10	-	-	1,671	1,671	-	-	-	-
		-	-	7,282	7,282	-	-	-	-

	Note	Carrying amount				Fair value			
		Fair value through profit and loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
<b>30 June 2022</b>		(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	5	2,389,898	-	-	2,389,898	-	2,389,898	-	2,389,898
<b>Financial assets - not measured at fair value</b>	20.2								
Bank balances and Term deposits receipts	4	-	6,939,307	-	6,939,307	-	-	-	-
Profit receivable	6	-	155,524	-	155,524	-	-	-	-
Preliminary expenses and floatation cost	0	-	-	-	-	-	-	-	-
Advance and deposits	7	-	2,600	-	2,600	-	-	-	-
		2,389,898	7,097,431	-	9,487,329	-	2,389,898	-	2,389,898
<b>Financial liabilities - not measured at fair value</b>	20.2								
Payable to the AL Habib Asset Management Limited - Management Company	13	-	-	2,560	2,560	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	8	-	-	525	525	-	-	-	-
Accrued expenses and other liabilities	10	-	-	1,187	1,187	-	-	-	-
		-	-	4,272	4,272	-	-	-	-

## 20.1 Valuation techniques used in determination of fair values within level 2:

Investments in sukuk certificates, issued by a company or a body corporate for the purpose of raising funds in the form of redeemable capital, are valued on the basis of the rates announced by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by the Securities and Exchange Commission of Pakistan.

## AL HABIB ISLAMIC INCOME FUND

**20.2** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**20.3** Net assets attributable to unit holders. The Fund routinely redeems and issues the units at the amount equal to the proportionate share of net assets of the Fund at the time of redemption, calculated on a basis consistent with that used in these financial statements. Accordingly, the carrying amount of net assets attributable to unit holders approximates their fair value. The units are categorized into Level 2 of the fair value hierarchy.

### 21 TOTAL EXPENSE RATIO (TER)

TER of the Fund for the year ended 30 June 2023 is 0.69% which include 0.08% representing government levies and SECP fee. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

### 22 PATTERN OF UNIT HOLDING

Unit holding pattern of the fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	371	21,809,575	2,204,076	42.81%
Associated Companies and Directors	21	5,424,691	548,219	10.65%
Retirement Funds	4	204,794	20,696	0.40%
Others	24	23,505,995	2,375,516	46.14%
	<b>420</b>	<b>50,945,055</b>	<b>5,148,507</b>	<b>100.00%</b>

Unit holding pattern of the fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	328	20,447,235	2,059,037	24.46%
Associated Companies and Directors	1	250,421	25,217	0.30%
Retirement Funds	6	490,865	49,430	0.59%
Others	26	62,403,754	6,284,194	74.65%
	<b>361</b>	<b>83,592,275</b>	<b>8,417,878</b>	<b>100.00%</b>

### 23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

#### Broker name

	2023	2022
	(Percentage)	
Next Capital Limited	62.61%	49.38%
Invest One Market (Pvt) Ltd	11.50%	3.91%
Continental Exchange (Pvt) Ltd.	10.54%	0.00%
AL Habib Capital (Pvt) Ltd	9.88%	41.17%
Arif Habib Ltd	5.39%	0.00%
BMA Capital Management Ltd	0.08%	0.64%
JS Global Capital Ltd	0.00%	4.90%
	<b>100.00%</b>	<b>100.00%</b>

### 24 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Qualification	Experience
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasanani	Chief Operating Officer & Company	CA- Affiliate	23
Mr. Ahmed Abbas	Fund Manager	MBA	15
Mr. Muhammad Shayan	Manager Investments	MBA & CFA Level II	5

**24.1** Mr. Ahmed Abbas is also Fund Manager of AL Habib Cash Fund, AL Habib Income Fund, AL Habib Money Market Fund, AL Habib Islamic Cash Fund and AL Habib Islamic Savings Fund, AL Habib Fixed Return Fund and AL Habib Islamic Munafa Fund.

**25 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave	
Mr. Abbas D.Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Ms. Zarine Aziz	4	3	1	96th Meeting
Mr. Imran Azim	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi	4	4	-	-

**26 FINANCIAL INSTRUMENTS BY CATEGORY**

	30 June 2023		
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	3,871,139	-	3,871,139
Investment	-	1,218,655	1,218,655
Advances, deposits and other receivables	1,100	-	1,100
	<u>3,872,239</u>	<u>1,218,655</u>	<u>5,090,894</u>
<b>Financial Liabilities</b>			
Payable to the Management Company	5,246	-	5,246
Payable to Central Depository Company of Pakistan Limited - Trustee	365	-	365
Accrued expenses and other payables	1,671	-	1,671
	<u>7,282</u>	<u>-</u>	<u>7,282</u>
	30 June 2022		
	At Amortised Cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	6,939,307	-	6,939,307
Investment	-	2,389,898	2,389,898
Advances, deposits and other receivables	2,600	-	2,600
	<u>6,941,907</u>	<u>2,389,898</u>	<u>9,331,805</u>
<b>Financial Liabilities</b>			
Payable to the Management Company	2,560	-	2,560
Payable to Central Depository Company of Pakistan Limited - Trustee	525	-	525
Accrued expenses and other payables	1,187	-	1,187
	<u>4,272</u>	<u>-</u>	<u>4,272</u>

**27 GENERAL****27.1 Corresponding figures**

**27.1.1** Corresponding figures have been re-classified and re-arranged in these financial statements, wherever necessary to facilitate comparison and to confirm with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

**27.2 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company on **17 August, 2023**.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Fund Objective

The primary objective of AHIIF is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium- and short-term Shariah Compliant debt instruments while taking into account liquidity considerations.

### Fund Objective Achieved:

The Fund has achieved its stated objective.

### Performance Review:

The return of the fund for FY23 was 15.58%.

### Strategies and Policies Employed during the period under review:

The AHIIF maintained strategy to get exposure in broadly diversified portfolio of high quality shariah complaint fixed and floater rate instrument. Such investments include Shariah Complaint Government securities (GOP Ijarah Sukuk), Banks Deposits/Placements and Corporate Sukuks.

### Fund Description

<b>Fund Type &amp; Category</b>	Open ended - Shariah Compliant Income Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	January 23, 2017	<b>Management Fee</b>	Up to 10% of the gross earnings of the Scheme
<b>Benchmark</b>	Average of the six months profit rates of three Islamic Banks/ licensed Islamic Banking window of conventional banks having long term credit of A or higher, as selected by MUFAP	<b>Sales Load</b>	3% (Management has the discretion to reduce or waive load on any transaction)
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Rs. 5,000
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AA (f)" by PACRA
<b>Risk Profile</b>	Medium (Principal at medium risk)		

### Market Review:

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63
3 Years	19.47	13.45	6.02
5 Years	16.08	12.93	3.15

Policy Rate		
Date	Policy Rate	Change (Bps)
July 13, 2022	15	125
November 28, 2022	16	100
January 24, 2023	17	100
March 3, 2023	20	300
April 5, 2023	21	100
June 27, 2023	22	100

**Asset Allocation of Fund**

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	63.06%	73.09%
GoP Ijarah Sukuk	8.99%	10.48%
Corporate Sukuk	14.50%	13.37%
TDR	11.57%	1.32%
Others	1.88%	1.74%

**Breakdown of Unit Holdings by Size:**

Size of Unit Holding (Units)	# of Unit Holders
1-5000	257
5001-50000	93
50001-500000	36
1000001-5000000	3
10000001-100000000	2
<b>Total</b>	<b>391</b>

**Income Distribution**

AHIIF made a total distribution of Rs. 14.45 during FY23 in the form of dividend, the details of which are as follows;

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Oct-22	104.4216	100.7016	3.72
Dec-22	103.3822	100.7016	2.68
Feb-23	102.6366	100.7016	1.94
May-23	104.6934	100.7016	3.99
Jun-23	102.819	100.7016	2.12

**During the period under question:**

There has been no significant change in the state of affairs of the Fund. Al Habib Islamic Income Fund does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During the period, 353,066,792 units valued Rs. 36.74 Bn. were sold, while 192,715,467 units valued Rs. 20.19 Bn. were redeemed, resulting in to a net redemption of 160,351,325 units valued Rs. 16.55 Bn.

## AL HABIB ISLAMIC INCOME FUND

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### Unit Holder Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

### Fund Performance at a Glance

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	5.149	8,418
NAV per unit as at June 30 (Rs. )	101.0606	100.7016
Distribution during the year ended June 30 (Rs. )	14.45	8.6172
Annual Return	15.58%	8.99%
Benchmark	6.06%	3.34%

### Disclosure:

There are no material circumstances affecting unit holder interests.



**AL HABIB ISLAMIC STOCK FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

**Rating**

AM2+ Management Company Quality  
Rating Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Islami Pakistan Limited  
MCB Bank Limited  
National Bank of Pakistan Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shahra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel : (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: www.cdcPakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB ISLAMIC STOCK FUND**

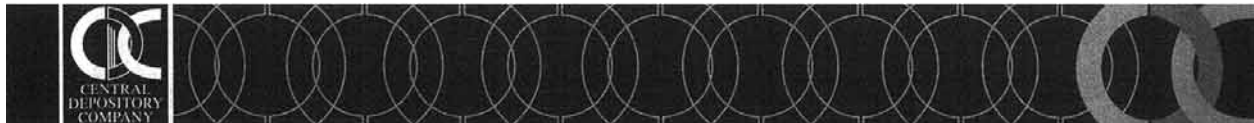
**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of AL Habib Islamic Stock Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023



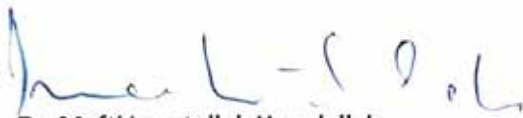
**REVIEW REPORT OF THE SHARIAH ADVISOR**

As a Shariah Advisor of the **AL Habib Islamic Stock Fund (AHISF)**, I am issuing this report. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with Shariah guidelines. My responsibility is to express an opinion, based on my 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, I hereby certify that:

- I reviewed and approved the modes of investment of AHISF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of AHISF 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 AHISF for the period from July 01, 2022 to June 30, 2023 have been in compliance with Shariah principles.



**Dr. Mufti Ismatullah Hamdullah**  
Shariah Advisor

Date: June 30, 2023



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## Independent Reasonable Assurance Report to the Unit Holders in respect of Shariah Compliance

### 1. Introduction

We were engaged by the Board of Directors of Al Habib Asset Management Limited (the Management Company) to report on the Shariah compliance of **Al Habib Islamic Stock Fund** (the Fund), as set out in the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments for the year ended **30 June 2023**, in the form of an independent reasonable assurance conclusion. Our engagement was carried out as required under clause 11.4 of trust deed of the Fund.

### 2. Applicable Criteria

The criteria against which the Shariah Compliance of the Fund is assessed is the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 3. Responsibilities of the Management Company

It is the responsibility of the Management Company of the Fund to ensure Shariah compliance with Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. This responsibility includes designing, implementing, and maintaining appropriate internal controls to ensure that operations of the Fund and its investments and placements have been made in compliance with respect to Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Chartered Accountants* issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shariah expert.

### 5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion on Shariah Compliance of the Fund, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), '*Assurance Engagements other than audits or reviews of historical financial statements*' (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Fund is Shariah Compliant in accordance with its Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in all material respects.

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The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Management Company's internal control over the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, and consequently cannot provide absolute assurance that the objective of compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

Amongst others, our scope included procedures to:

- Check compliance of Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.
- Check that the Shariah Advisor has certified that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2023 are in compliance with the Shariah principles.

In performing our audit procedures necessary guidance on Shariah matters was provided by the internal Shariah experts.

We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

#### 6. Conclusion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments during the year ended 30 June 2023.

Date: 28 September 2023  
Karachi

Signature  
Chartered Accountants

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Arslan Khalid  
Assurance Engagement Partner



EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
P.O. Box 15541, Karachi 75530  
Pakistan

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Tel: +9221 3565 0007-11  
Fax: +9221 3568 1965  
ey.khi@pk.ey.com  
ey.com/pk

## **INDEPENDENT AUDITORS' REPORT**

**To the Unit holders of AL Habib Islamic Stock Fund**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **AL Habib Islamic Stock Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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

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Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Equity investments</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of listed shares which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement, related reconciliations and re-performance of investment valuations on the basis of quoted market prices at the Pakistan Stock Exchange Limited as at 30 June 2023.</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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#### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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

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

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

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

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

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

Chartered Accountants

Date: 28 September 2023

Karachi

UDIN Number: AR202310191qdP96yavQ

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**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Assets</b>			
Bank balances	4	45,617	65,078
Investments	5	239,431	209,810
Dividend and profit receivable	6	766	1,126
Receivable against sale of investments		-	24,675
Receivable against issuance of units	18	12,000	48
Advances, deposits, prepayments and other receivables	7	3,658	5,681
<b>Total assets</b>		<b>301,472</b>	<b>306,418</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	14	12	707
Provision for Federal Excise Duty on remuneration of the Management Company	8	1,478	1,478
Payable to Central Depository Company of Pakistan Limited - Trustee	9	55	67
Payable to Securities and Exchange Commission of Pakistan (SECP)	10	56	65
Accrued expenses and other liabilities	11	1,513	1,356
<b>Total liabilities</b>		<b>3,114</b>	<b>3,673</b>
<b>Net assets</b>		<b>298,358</b>	<b>302,745</b>
<b>Unit holders' Fund (as per statement attached)</b>		<b>298,358</b>	<b>302,745</b>
<b>Contingencies and commitments</b>			
	12		
		(Number of units)	
<b>Number of units in issue (Face value of units is Rs. 100 each)</b>		<b>4,003,314</b>	<b>4,062,928</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>74.53</b>	<b>74.51</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director



**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022
<b>Income</b>			
Profit on bank deposits	13	7,429	3,334
Dividend income		22,739	22,806
Profit on Cash Margin deposit with NCCPL		84	85
Net loss on investments classified at fair value through profit or loss			
- Net capital loss on sale of investments		(228)	(21,461)
- Net unrealised loss on revaluation of investments	5.1	(21,092)	(20,063)
		<u>(21,320)</u>	<u>(41,524)</u>
<b>Total income / (loss)</b>		<b>8,932</b>	<b>(15,299)</b>
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	14	2,901	6,555
Sindh Sales Tax on Management Company's remuneration	14.1	377	853
Expenses allocated by the Management Company	15	-	150
Remuneration of Central Depository Company of Pakistan Limited - Trustee	9	564	656
Sindh Sales Tax on Trustee's remuneration	9.1	73	86
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	10	56	66
Brokerage expense		875	1,393
Settlement and bank charges		356	423
Annual listing fee		28	30
Auditor's remuneration	16	591	465
Mutual fund rating fee		-	-
Printing charges		65	65
Charity expense		527	487
<b>Total expenses</b>		<b>6,413</b>	<b>11,229</b>
<b>Net income / (loss) from operating activities</b>		<b>2,519</b>	<b>(26,528)</b>
<b>Reversal for Sindh Worker's Welfare Fund</b>		<b>-</b>	<b>935</b>
<b>Net income / (loss) for the year before taxation</b>		<b>2,519</b>	<b>(25,593)</b>
Taxation	17	-	-
<b>Net income / (loss) for the year after taxation</b>		<b>2,519</b>	<b>(25,593)</b>
<b>Allocation of net income for the year after taxation</b>			
Net Income for the year after taxation		2,519	-
Income already paid on units redeemed		(166)	-
		<u>2,353</u>	<u>-</u>
<b>Accounting income available for distribution:</b>			
Relating to capital loss		-	-
Excluding capital loss		2,353	-
		<u>2,353</u>	<u>-</u>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	2022
	(Rupees in '000)	
<b>Net income / (loss) for the year after taxation</b>	<b>2,519</b>	<b>(25,593)</b>
Other comprehensive income for the year	-	-
<b>Total comprehensive income / (loss) for the year</b>	<b><u>2,519</u></b>	<b><u>(25,593)</u></b>

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023			2022		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
Note	(Rupees in '000)					
Net assets at beginning of the year	360,433	(57,688)	302,745	320,463	(32,095)	288,368
<b>Issuance of 397,227 units (2022: 4,085,082 units)</b>						
Including additional 2,788 (2022: Nil) units issued at nil value						
- Capital value	29,597	-	29,597	323,661	-	323,661
- Element of Income	311	-	311	2,047	-	2,047
Amount received on issuance of units	29,908	-	29,908	325,708	-	325,708
<b>Redemption of 456,841 units (2022: 3,661,697 units)</b>						
- Capital value	(34,039)	-	(34,039)	(290,116)	-	(290,116)
- Element of income / (loss)	(80)	(166)	(246)	4,378	-	4,378
Amount paid on redemption of units	(34,119)	(166)	(34,285)	(285,738)	-	(285,738)
Total comprehensive income / (loss) for the year	-	2,519	2,519	-	(25,593)	(25,593)
<b>Interim distribution for the year ended 30 June 2023:</b>						
<b>Rs. 0.6361/- per units (2022: Nil per unit declared)</b>	(208)	(2,321)	(2,529)	-	-	-
Net (loss) / income for the year less distribution	(208)	198	(10)	-	(25,593)	(25,593)
<b>Net assets at end of the year</b>	<b>356,014</b>	<b>(57,656)</b>	<b>298,358</b>	<b>360,433</b>	<b>(57,688)</b>	<b>302,745</b>
<b>Undistributed (loss) brought forward</b>						
- Realised loss		(37,625)			(38,860)	
- Unrealised gain / (loss)		(20,063)			6,765	
		(57,688)			(32,095)	
<b>Accounting income available for distribution:</b>						
- Relating to capital gains		-			-	
- Excluding capital gains		2,353			-	
		2,353			(25,593)	
<b>Interim distribution for the year ended 30 June 2023:</b>						
<b>Rs. 0.6361/- per units (2022: Nil per unit declared)</b>		(2,321)			-	
<b>Undistributed loss carried forward</b>		<b>(57,656)</b>			<b>(57,688)</b>	
<b>Undistributed loss carried forward comprises of:</b>						
- Realised loss		(36,564)			(37,625)	
- Unrealised gain		(21,092)			(20,063)	
		(57,656)			(57,688)	
		(Rupees)			(Rupees)	
<b>Net assets value per unit at beginning of the year</b>		<b>74.51</b>			<b>79.23</b>	
<b>Net assets value per unit at end of the year</b>		<b>74.53</b>			<b>74.51</b>	

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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



**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	2022
	Note	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income / (loss) for the year before taxation		2,519	(25,593)
<b>Adjustments for:</b>			
Profit on bank deposits		(7,429)	(3,334)
Dividend income		(22,739)	(22,806)
Profit on Cash Margin deposit with NCCPL		(84)	(85)
Net unrealised loss on revaluation of investments	5.1	21,092	20,063
		(6,641)	(31,755)
<i>(Increase) / decrease in assets</i>			
Investments		(50,713)	54,919
Receivable against sale of investments		24,675	(22,309)
Receivable against issuance of units		(11,952)	1,152
Advances, deposits, prepayments and other receivables		2,023	(2,745)
		(35,967)	31,017
<i>Decrease in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		(695)	127
Payable to Central Depository Company of Pakistan Limited - Trustee		(12)	10
Payable to Securities and Exchange Commission of Pakistan (SECP)		(9)	26
Provision for Sindh Workers' Welfare Fund		-	(935)
Accrued expenses and other liabilities		157	(1,225)
		(559)	(1,997)
Profit on bank deposits received		7,939	2,259
Dividend income received		22,589	24,724
Profit on Cash Margin deposit with NCCPL received		84	85
<b>Net cash (used in) / generated from operating activities</b>		(12,555)	24,333
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		29,908	325,708
Payments on redemption of units		(34,285)	(285,738)
Dividend paid during the year		(2,529)	-
<b>Net cash flows (used in) / generated from financing activities</b>		(6,906)	39,970
<b>Net (decrease) / increase in cash and cash equivalents during the year</b>		(19,461)	64,303
Cash and cash equivalents at beginning of the year		65,078	775
Cash and cash equivalents at end of the year		45,617	65,078
<b>Cash and cash equivalents comprise of:</b>			
Bank balances	4	45,617	65,078

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** AL Habib Islamic Stock Fund (the Fund) was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 24 November 2011 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 03 November 2011 under Rule 67 of the Non-banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on 15 October 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.
- 1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I. I. Chundrigar Road Karachi, Pakistan.
- 1.3** The Fund is an open-end mutual fund and is listed on the Pakistan Stock Exchange. Units are offered for public subscription on a continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.
- 1.4** The Fund revised its investment objectives in order to seek long-term capital growth by investing primarily in a Shariah Compliant diversified pool of equities and equity related instruments. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws. Previously, the Fund has been investing to provide reasonable rate of return consistent with reasonable concern for safety of principal amount to the unit holders, along with facility to join or leave the Fund at their convenience. The management team would seek to enhance returns through active portfolio management using efficiency tools.
- 1.5** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company.
- 1.6** The Fund has been categorized as an Open - End Shariah Compliant Equity Scheme as per the criteria laid down by the SECP for categorisation of Collective Investment Schemes (CIS).

Title of the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited (CDC) as Trustee of the Fund.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**2.2 New / Revised Standards, Interpretations and Amendments**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these financial statements.

**2.2.1 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized
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.	

### 2.3 Critical accounting estimates and judgments

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

The estimates and judgements that have a significant effect on the financial statements of the Fund relate to classification, valuation and impairment of financial assets and provision under uncertain circumstances such as taxes recoverable and Federal Excise Duty payable on remuneration of management company as disclosed in notes 07 and 08 respectively.

### 2.4 Basis of measurement

These financial statements have been prepared under the historical cost convention except that investments are required to be stated at fair value.

### 2.5 Functional and presentation currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund and have been rounded to the nearest thousand rupees.

## 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below.

### 3.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of ninety days or less.

### 3.2 Financial assets

#### 3.2.1 Initial recognition and measurement

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

### 3.2.2 Classification

#### Equity Instruments

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

#### Debt Instruments

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

### 3.2.3 Business model assessment

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

### 3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

### 3.2.5 Subsequent measurement

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Debt investments at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Debt investments at FVTPL</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Equity instruments at FVOCI</b>	<p>Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.</p> <p>Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.</p>
<b>Equity investments at FVTPL</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (Government securities)**

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

**b) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange (PSX).

### 3.2.6 Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 3.2.7 Impairment of financial assets

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

### 3.2.8 Regular way contracts

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

### 3.2.9 Derecognition

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

### **3.2.10 Offsetting of financial instruments**

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

### **3.3 Financial liabilities**

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

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

### **3.4 Unit holders' Fund**

Unit holders' Fund representing the units issued by the Fund, is carried at the redemption amount representing the investors' right to a residual interest in the Fund's assets.

### **3.5 Issuance and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

### **3.6 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

### **3.7 Net asset value - per unit**

The net asset value per unit disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units in issue at the year end.

### **3.8 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

**3.9 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

**3.10 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

**3.11 Expenses**

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

**3.12 Provisions**

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

**3.13 Distribution**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the period of investment made during the year. Resultantly, the rate of distribution per unit may vary depending on the period of investment.

**3.14 Earnings per unit (EPU)**

Earnings Per Unit (EPU) has not been disclosed as in the opinion of the Management, determination of weighted average units for calculating EPU is not practicable.

**4 BANK BALANCES**

	Note	2023 (Rupees in '000)	2022
Savings accounts	4.1	31,652	64,939
Current accounts		13,965	139
		<u>45,617</u>	<u>65,078</u>

- 4.1 The profit rates effective at year end on these accounts range from 6.70% to 20.00% (30 June 2022: 10.00% to 15.50%) per annum. It includes balance of Rs. 26.59 million (30 June 2022: Rs 12.19 million) with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 19.75% (30 June 2022: 15.50%) per annum.

**5 INVESTMENTS**

	Note	2023 (Rupees in 000)	2022
<b>At fair value through profit or loss:</b>			
Quoted equity securities	5.1	<u>239,434</u>	<u>209,810</u>



# AL HABIB ISLAMIC STOCK FUND

## 5.1 Quoted equity securities

Name of the Investee	As at 01 July 2022	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2023	Cost / carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealised gain / (loss)	Market value as a percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investment	
Note	(Number of shares)					(Rupees in '000)			(%)		
COMMERCIAL BANKS											
Bank Islami Pakistan Limited	5.1.1	1,448,500	-	-	1,148,500	300,000	3,612	5,328	1,716	1.79%	0.30%
Faysal Bank Limited		-	235,000	-	235,000		5,577	4,742	(835)	1.59%	0.15%
Meezan Bank Limited	5.1.1	363,000	-	35,800	85,000	313,800	32,230	27,103	(5,127)	9.08%	0.02%
		1,811,500	235,000	35,800	1,233,500	848,800	41,419	37,173	(4,246)	12.46%	0.47%
CHEMICALS											
Dynea Pakistan Limited		12,000	-	-	-	12,000	2,088	1,512	(576)	0.51%	0.13%
Engro Polymer & Chemicals Limited		70,000	80,000	-	120,000	30,000	2,238	1,268	(970)	0.42%	0.00%
		82,000	80,000	-	120,000	42,000	4,326	2,780	(1,546)	0.93%	0.13%
FERTILIZER											
Engro Fertilizers Limited		135,000	232,000	-	137,000	230,000	19,242	18,982	(260)	6.36%	0.02%
Engro Corporation Limited		41,000	71,500	-	42,500	70,000	19,403	18,192	(1,211)	6.10%	0.01%
		176,000	303,500	-	179,500	300,000	38,645	37,174	(1,471)	12.46%	0.03%
CEMENT											
Attock Cement Pakistan Limited		-	94,000	-	41,000	53,000	3,785	4,392	607	1.47%	0.04%
Bestway Cement Limited		18,000	10,000	-	-	28,000	3,668	4,060	392	1.36%	0.00%
Cherat Cement Company Limited		23,000	89,500	-	44,500	68,000	8,039	8,179	140	2.74%	0.03%
Fauji Cement Company Limited		200,000	560,000	48,750	245,000	563,750	7,205	6,630	(575)	2.22%	0.04%
Gharibwal Cement Limited		144,500	-	-	-	144,500	2,818	2,240	(578)	0.75%	0.04%
Kohat Cement Company Limited		15,000	28,500	-	10,000	33,500	4,984	5,811	827	1.95%	0.02%
Lucky Cement Limited		-	41,000	-	23,500	17,500	8,267	9,137	870	3.06%	0.01%
Maple Leaf Cement Factory Limited		120,000	716,000	-	386,000	450,000	12,699	12,749	50	4.27%	0.04%
Pioneer Cement Limited		10,000	143,000	-	88,000	65,000	5,392	5,631	239	1.89%	0.03%
Power Cement Limited		-	500,000	-	500,000	-	-	-	-	0.00%	0.00%
		530,500	2,182,000	48,750	1,338,000	1,423,250	56,857	58,829	1,972	19.71%	0.25%
POWER GENERATION & DISTRIBUTION											
Hub Power Company Limited		-	40,000	-	-	40,000	3,100	2,783	(317)	0.93%	0.00%
		-	40,000	-	-	40,000	3,100	2,783	(317)	0.93%	0.00%
ENGINEERING											
International Steels Limited		10,000	-	-	10,000	-	-	-	-	0.00%	0.00%
Mughal Iron & Steel Industries Limited		27,189	153,000	-	71,189	109,000	6,581	5,280	(1,301)	1.77%	0.04%
		37,189	153,000	-	81,189	109,000	6,581	5,280	(1,301)	1.77%	0.04%
TECHNOLOGY & COMMUNICATION											
Air Link Communication		148,875	-	-	35,000	113,875	4,599	2,258	(2,341)	0.76%	0.03%
Avanceon Limited		-	165,000	12,750	94,000	83,750	5,832	3,688	(2,144)	1.24%	0.03%
Octopus Digital Limited		-	40,000	6,000	-	46,000	2,844	1,720	(1,124)	0.58%	0.03%
System Limited		18,200	48,000	-	39,000	27,200	11,530	10,971	(559)	3.68%	0.02%
		167,075	253,000	18,750	168,000	270,825	24,805	18,637	(6,168)	6.26%	0.11%
FOOD & PERSONAL CARE PRODUCTS											
At-Tahur Limited		91,000	-	9,100	-	100,100	1,735	1,648	(87)	0.55%	0.05%
		91,000	-	9,100	-	100,100	1,735	1,648	(87)	0.55%	0.05%
SOFTWARE & COMPUTER SERVICES											
Netsol Tech Limited		18,000	25,000	-	43,000	-	-	-	-	0.00%	0.00%
		18,000	25,000	-	43,000	-	-	-	-	0.00%	0.00%
PAPER & BOARD											
Century Paper & Board Mills Limited		25,700	-	25,186	-	50,886	1,588	1,437	(151)	0.48%	0.03%
		25,700	-	25,186	-	50,886	1,588	1,437	(151)	0.48%	0.03%
OIL & GAS EXPLORATION COMPANIES											
Mari Petroleum Company Limited		8,900	2,000	-	3,300	7,600	12,852	11,511	(1,341)	3.86%	0.01%
Oil & Gas Development Company Limited		140,000	180,000	-	210,000	110,000	9,400	8,580	(820)	2.88%	0.00%
Pakistan Oilfields Limited		75,000	34,500	-	59,500	50,000	20,418	20,089	(329)	6.73%	0.02%
Pakistan Petroleum Limited	5.1.1	90,000	295,000	-	222,000	163,000	10,968	9,640	(1,328)	3.23%	0.01%
		313,900	511,500	-	494,800	330,600	53,638	49,820	(3,818)	16.70%	0.04%

Name of the Investee	As at 01 July 2022	Purchased during the year	Bonus / right issue	Sold during the year	As at 30 June 2023	Cost / carrying value as at 30 June 2023	Market value as at 30 June 2023	Unrealised gain / (loss)	Market value as a percentage of		Paid up capital of investee company (with face value of investment)
									Net assets	Total investment	
Note	(Number of shares)					(Rupees in '000)			(%)		
OIL & GAS MARKETING COMPANIES											
Attock Petroleum Limited	3,500	26,000	7,375	22,875	14,000	4,205	4,204	(1)	1.41%	1.76%	0.01%
Pakistan State Oil Company Limited	12,000	20,000	-	22,000	10,000	1,771	1,110	(661)	0.37%	0.46%	0.00%
Sui Northern Gas Pipeline Limited	-	205,000	-	145,000	60,000	2,475	2,362	(113)	0.79%	0.99%	0.01%
	15,500	251,000	7,375	189,875	84,000	8,451	7,676	(775)	2.57%	3.21%	0.02%
TEXTILE COMPOSITE											
Interloop Limited	43,976	24,000	26,000	18,976	75,000	2,677	2,645	(32)	0.89%	1.10%	0.01%
Kohinoor Textile Mills Limited	14,000	55,000	-	19,000	50,000	2,487	2,546	59	0.85%	1.06%	0.02%
Nishat Mills Limited	-	45,100	-	45,100	-	-	-	-	0.00%	0.00%	0.00%
	57,976	124,100	26,000	83,076	125,000	5,164	5,191	27	1.74%	2.16%	0.03%
PHARMACEUTICALS											
Abbott Laboratories (Pakistan) Limited	4,500	2,500	-	-	7,000	4,196	2,590	(1,606)	0.87%	1.08%	0.01%
The Searlt Company Limited	-	50,000	-	50,000	-	-	-	-	-	-	-
Highnoon Laboratories Limited	9,500	-	1,325	4,500	6,325	2,649	2,126	(523)	0.71%	0.89%	0.02%
	14,000	52,500	1,325	54,500	13,325	6,845	4,716	(2,129)	1.58%	1.97%	0.03%
GLASS & CERAMICS											
Shabbir Tiles & Ceramics Limited	93,000	-	-	-	93,000	1,361	774	(587)	0.26%	0.32%	0.06%
Tariq Glass Industries Limited	55,850	96,600	7,500	78,947	81,003	6,006	5,516	(490)	1.85%	2.30%	0.06%
	148,850	96,600	7,500	78,947	174,003	7,367	6,290	(1,077)	2.11%	2.62%	0.12%
REFINERY											
Attock Refinery Limited	-	15,000	-	15,000	-	-	-	-	0.00%	0.00%	0.00%
National Refinery Limited	5,000	-	-	5,000	-	-	-	-	0.00%	0.00%	0.00%
	5,000	15,000	-	20,000	-	-	-	-	0.00%	0.00%	0.00%
Total as at 30 June 2023	3,494,190	4,322,200	179,786	4,084,387	3,911,789	260,521	239,431	(21,087)			
Total as at 30 June 2022	2,598,981	6,479,077	83,797	5,667,665	3,494,190	229,873	209,810	(20,063)			

**5.1.1** Following shares are pledged with National Clearing Company of Pakistan Limited (NCCPL) as collateral against exposure margin and mark to market losses.

	Note	2023 (Number of shares)	2022
Bank Islami Pakistan Limited		300,000	500,000
Meezan Bank Limited		90,000	90,000
Pakistan Petroleum Limited		2,310	2,310
		<b>392,310</b>	<b>592,310</b>

## 6 DIVIDEND AND PROFIT RECEIVABLE

Profit receivable on savings accounts	616	1,126
Dividend receivable	150	-
	<b>766</b>	<b>1,126</b>

## 7 ADVANCES, DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security Deposit with Central Depository Company of Pakistan Limited	100	100
Security Deposit with National Clearing Company of Pakistan Limited	1,000	2,500
Cash Margin to National Clearing Company of Pakistan Limited	2,051	2,700
Advance tax	7.1	381
	<b>3,658</b>	<b>5,681</b>

**7.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule to the ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue through a circular "C.No.1 (43) DG (WHT)/2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). Prior to receiving tax exemption certificate(s) from CIR various withholding agents have deducted advance tax under section 150, 150A and 151 of ITO 2001. The management is confident that the same shall be refunded.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

## **8 PROVISION FOR FEDERAL EXCISE DUTY ON REMUNERATION TO AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16 percent on the remuneration of the Management Company has been applied effective from 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of the law, hence, a petition was collectively filed by the Mutual Fund Association of Pakistan with the Honorable Sindh High Court (SHC) on 04 September 2013.

While disposing the above petition through order dated 16 July 2016 the SHC declared the said provisions to be ultra vires and as a result no FED is payable with effect from 01 July 2016. However, the tax authorities subsequently filed appeal against the decision of the SHC in the Supreme Court of Pakistan (SCP), which is pending for decision.

Furthermore, the Finance Act 2016 also introduced an amendment to the Federal Excise Act, 2005 whereby FED was withdrawn on services of different industries including Non-Banking Financial Institutions, which are already subject to provincial sales tax. Therefore, in the current year, provision for FED has not been recorded.

However, since the appeal is pending in the Supreme Court of Pakistan, the Management Company, as a matter of abundant caution, is carrying provision for FED for the period from 01 July 2013 to 30 June 2016 aggregating to Rs. 1.478 million. Had the provision not been made, NAV per unit of the Fund as at 30 June 2023 would have been higher by Rs. 0.37 per unit (30 June 2022: Rs. 0.37) per unit.

## **9 PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE**

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee has been calculated as per following applicable tariff during the year and 30 June 2023:

<b>Average net assets (Rs. in million)</b>	<b>Tariff</b>
Upto Rs. 1,000	0.2% per annum of net asset value.
Rs. 1,000 and above	Rs. 2 million plus 0.10% per annum of net assets on amount exceeding Rs. 1,000 million.

**9.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Trustee remuneration charged during the year.

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

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) in accordance with regulation 62 of the NBFC Regulations. The said rate of fee has been changed during the year, pursuant to S.R.O 685(I) 2019, dated 28 June 2019 with effect from 01 July 2019. The revised rate has been fixed at 0.02% (30 June 2022: 0.02%) of net assets.

## **11 ACCRUED EXPENSES AND OTHER LIABILITIES**

	<b>Note</b>	<b>2023 (Rupees in '000)</b>	<b>2022</b>
Auditors' remuneration		<b>562</b>	327
Printing charges		<b>111</b>	78
Charity payable	11.1	<b>321</b>	398
Brokerage payable		-	438
Withholding tax		<b>413</b>	68
Others		<b>106</b>	47
		<b><u>1,513</u></b>	<b><u>1,356</u></b>

	2023	2022
	(Rupees in '000)	
<b>11.1 Charity payable</b>		
Opening balance	398	221
Charge for the year	527	488
Paid during the year	(604)	(311)
Closing balance	<u>321</u>	<u>398</u>

**12 CONTINGENCIES AND COMMITMENTS**

There are no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil)

**13 PROFIT ON BANK DEPOSITS**

	Note	2023	2022
		(Rupees in '000)	
Savings accounts	13.1	<u>7,429</u>	<u>3,334</u>

**13.1** It represents profit on deposits with Bank AL Habib Limited, a related party (ultimate parent) amounting to Rs. 4.4 million (30 June 2022: Rs. 0.04 million).

**14 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration of an amount not exceeding 2% of average annual net assets in case of equity scheme. The Management Company has charged remuneration at the rate of 2% (30 June 2022: 2%) of average annual net assets. The remuneration is paid to the Management Company on monthly basis in arrears.

**14.1** Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Management Company's charged during the year.

**15 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY**

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015 the Management Company is entitled for reimbursement of fee and expenses in relation to registrar service, accounting, operation and valuation services related to Collected Investment Scheme (CIS).

During the year, Management Company has charged Nil (30 June 2022: 0.15 million) to the Fund.

**16 AUDITOR'S REMUNERATION**

	2023	2022
	(Rupees in '000)	
Annual audit fee	290	220
Half yearly review fee	131	131
Fee for review report on Shariah compliance	120	80
Out of pocket expenses	50	34
Certification	-	-
	<u>591</u>	<u>465</u>

**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. Provided that for the purpose of determining distribution of at least 90% of accounting income, the income distributed through bonus shares, units or certificates as the case may be, shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund has distributed more than 90% of the Fund's accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders during the year. Accordingly, no provision has been made in the financial statements for the year ended 30 June 2023.

**18 RECONCILIATION OF LIABILITIES ARISING OUT OF FINANCING ACTIVITIES**

	Receivable against issuance of units	Payable against redemption of units	Total
	(Rupees in '000)		
Opening balance as at 01 July 2022	48	-	48
Receivable against issuance of units	29,908	-	29,908
Payable against redemption of units	-	(34,285)	(34,285)
	29,908	(34,285)	(4,377)
Amount received on issuance of units	(17,956)	-	(17,956)
Amount paid on redemption of units	-	34,285	34,285
	(17,956)	34,285	16,329
<b>Closing balance as at 30 June 2023</b>	<b>12,000</b>	<b>-</b>	<b>12,000</b>

**19 TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons / related parties include:

S.No	Company Name	Relationship
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	AL Habib Capital Market (Private) Limited	Subsidiary of Bank AL Habib Limited
4	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Islamic Savings Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties include directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above related parties.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.

**19.1 Details of the transactions with connected persons / related parties are as follows:**

**2023                      2022**  
**(Rupees in '000)**

Details of transactions with connected persons are as follows:

**AL Habib Asset Management Limited - Management Company**

Management remuneration (including Sindh Sales Tax)	<b>3,278</b>	<b>7,408</b>
Expenses allocated by the Management Company	<b>-</b>	<b>150</b>
Dividend paid	<b>186</b>	<b>-</b>

**Bank AL Habib Limited**

Profit on bank balance	<b>4,418</b>	<b>38</b>
Dividend paid	<b>64</b>	<b>-</b>

**Central Depository Company of Pakistan Limited - Trustee**

Remuneration to the Trustee (including Sindh Sales Tax)	<b>637</b>	<b>742</b>
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2023      2022  
(Rupees in '000)

Details of balances with connected persons at year end are as follows:

**Bank AL Habib Limited**

- Bank balance	26,595	12,238
- Profit receivable on savings account	456	5

**AL Habib Asset Management Limited - Management Company**

- Remuneration payable to Management Company	12	707
- Federal Excise Duty payable	1,478	1,478

**Central Depository Company of Pakistan Limited - Trustee**

- Remuneration payable (including Sindh Sales Tax)	55	67
- Security deposit - Non interest bearing	100	100

**19.2 Sale / Redemption of units**

	2023		2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<b>Management Company</b>				
AL Habib Asset Management Limited	295,813	22,186	941,212	74,542
<b>Other related parties</b>				
- Directors of the Management Company	23,122	2,027	36,111	2,963
- Key executives	4	2,222	12,224	998
<b>Units redeemed by:</b>				
<b>Management Company</b>				
AL Habib Asset Management Limited	161,610	12,049	814,193	64,534
<b>Other related parties</b>				
- Directors of the Management Company	9,528	720	36,067	2,887
- Key executives	3,557	268	11,801	973
- Habib Insurance Company Limited - Employees Provident Fund	16,950	1,261	-	-
<b>Units held by:</b>				
<b>Management Company</b>				
AL Habib Asset Management Limited	295,813	22,004	161,044	11,999
<b>Parent Company</b>				
- Bank AL Habib Limited	100,929	7,522	100,929	7,520
<b>Other related parties</b>				
- Directors of the Management Company	3,209,668	239,209	3,196,075	238,140
- Key executives	3,514	262	7,046	525

**20 RISK MANAGEMENT**

**Introduction and overview**

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

**Risk management framework**

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

The Fund primarily invests in shares of listed companies and near cash instruments. Such investments are subject to varying degrees of risk.

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the Non-Banking Finance Companies and Notified Entities Regulations, 2008, Rules, and Constitutive Documents of the Fund in addition to the Fund's internal risk management policies.

**20.1 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from bank balances, dividend and income receivables, receivable against sale of investments and deposits etc.

**Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its offering document, the requirements of NBFC rules and NBFC Regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

**Exposure to credit risk**

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	<b>2023</b>		<b>2022</b>	
	<b>Statement of Assets and Liabilities</b>	<b>Maximum exposure</b>	<b>Statement of Assets and Liabilities</b>	<b>Maximum exposure</b>
	<b>----- (Rupees in '000) -----</b>			
Bank balances	<b>45,617</b>	<b>45,617</b>	65,078	65,078
Investments	<b>239,431</b>	-	209,810	-
Dividend and profit receivable	<b>766</b>	<b>766</b>	1,126	1,126
Receivable against sale of investments	-	-	24,675	24,675
Receivable against issuance of units	<b>12,000</b>	<b>12,000</b>	48	48
Advances, deposits, prepayments and other receivables	<b>3,658</b>	<b>3,151</b>	5,681	5,300
	<b>301,472</b>	<b>61,534</b>	<b>306,418</b>	<b>96,227</b>

Differences in the balances as per the Statement of Assets and Liabilities and maximum exposures in investments are due to the fact that investments of Rs. 239.43 million (30 June 2022 : 209.81 million) relates to investments in quoted equity securities which are not considered to carry credit risk.

**Credit ratings and Collaterals**

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:



<b>Ratings</b>	<b>2023</b>	<b>2022</b>
	<b>(Percentage)</b>	
A+	<b>15.06%</b>	79.31%
AA	<b>0.15%</b>	0.09%
AAA	<b>84.79%</b>	20.60%
	<b>100.00%</b>	100.00%

Cash is held only with reputable banks with high quality external credit enhancements.

#### **Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. Around 79.42% (30 June 2022: 68.47%) of the Fund's financial assets are in quoted equity investments which are not exposed to credit risk.

As at year end, the Fund's total credit risk was concentrated in the following industrial / economic sectors:

<b>Sectors</b>	<b>2023</b>	<b>2022</b>
	<b>(Percentage)</b>	
Banks (including bank profit due)	<b>94.00%</b>	93.00%
Financial services	<b>6.00%</b>	7.00%
	<b>100.00%</b>	100.00%

#### **Past due and impaired assets**

None of the financial assets of the Fund are past due / impaired as at 30 June 2023.

#### **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 an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

## **20.2 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

#### **Management of Liquidity Risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement. The present settlement system is a T+2 system, which means that proceeds from sales (to pay off redemptions) of holdings will be received on the second day after the sale, while redemptions have to be paid within a period of six days from the date of the redemption request.

The Fund has the ability to borrow, with prior approval of Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

#### **Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

	2023			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
	(Rupees in '000)			
<b>Non- derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	12	12	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	55	55	-	-
Accrued expenses and other liabilities	1,100	538	562	-
	<u>1,167</u>	<u>605</u>	<u>562</u>	<u>-</u>
Unit holders' Fund	<u>298,358</u>	<u>298,358</u>	<u>-</u>	<u>-</u>
	2022			
	Carrying amount	Less than one month	More than one month and up to three months	More than three months and up to one year
	(Rupees in '000)			
<b>Non- derivative financial liabilities</b>				
Payable to AL Habib Asset Management Limited - Management Company	707	707	-	-
Payable to Central Depository Company of Pakistan Limited-Trustee	67	67	-	-
Accrued expenses and other liabilities	1,288	523	765	-
	<u>2,062</u>	<u>1,297</u>	<u>765</u>	<u>-</u>
Unit holders' Fund	<u>302,745</u>	<u>302,745</u>	<u>-</u>	<u>-</u>

Above financial liabilities do not carry any mark-up.

### 20.3 Market risk

Market risk is the risk that the Fund's income or value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### Management of Market Risk

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate and other price risk only.

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	Note	2023 (Rupees in '000)	2022
<b>Variable rate instruments</b>			
Bank balances	4	<u>31,652</u>	<u>64,939</u>

**a) Cash flow Sensitivity analysis for variable rate instruments**

In case of change of 100 basis points in KIBOR on 30 June 2023, the net assets of the Fund would have been lower / higher by Rs. 0.32 million (2022: 0.065 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

The composition of the Fund's financial instruments, interest rates are expected to change overtime. Accordingly, the sensitivity analysis prepared as of 30 June 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in interest rates.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

	Profit (%)	Less than one month	Three months to one year	More than one year	Total
<b>Assets</b>					
<b>(Rupees in '000)</b>					
Bank balances	6.70%-20.00%	31,652	-	-	31,652
<b>Total assets</b>		<b>31,652</b>	<b>-</b>	<b>-</b>	<b>31,652</b>
<b>2022</b>					
	Profit (%)	Less than one month	Three months to one year	More than one year	Total
<b>Assets</b>					
<b>(Rupees in '000)</b>					
Bank balances	10.00%-15.50%	64,939	-	-	64,939
<b>Total assets</b>		<b>64,939</b>	<b>-</b>	<b>-</b>	<b>64,939</b>

None of the Fund's financial liabilities are subject to interest rate risk.

**Other price risk**

Other price risk is the risk of unfavorable changes in the fair value of equity securities and units of mutual funds as a result of changes in the levels of respective indices and the value of individual securities. This arises from the investment held by the Fund for which prices in the future are uncertain. The Fund's policy is to manage price risk through diversification and selection of securities within specified limits set by internal risk management guidelines.

The Fund manages this risk by limiting its investment exposure in the following ways:

- 10% of NAV or index weight of a single security, subject to a maximum limit of 15%, whichever is higher.
- higher of 30% of NAV or index weight of a single stock exchange sector, subject to a maximum limit of 35% of NAV.

A summary analysis of local investments by industry sector, the percentage in relation to Fund's assets is presented in note 5.1 to these financial statements. Further, the Fund's policy requires that the overall Fund position is monitored on a daily basis by the Fund Manager and is reviewed on bi-monthly basis by the Investment Committee and by the Board of Directors in every meeting of the Board. Non - compliance with the Fund's investment policies is reported to the Board of Directors.

As at 30 June 2023 the fair value of equity securities exposed to price risk are disclosed in notes 5.1.

**Sensitivity analysis**

The following table illustrates the sensitivity of the Fund's net asset value attributable to unit holders and net profit for the year to change of 10% in the fair values of the Fund's investment in quoted equity securities as at 30 June 2023. This level of change is considered to be reasonably possible and represents management's best estimate of a reasonable possible shift in respective market indices and resulting increase/decrease in fair value of the Fund's investment in equity securities.

	Note	2023 (Rupees in '000)	2022
Effect on income statement, net assets attributable to unit holders of an increase in index			
Quoted equity securities	5.1	23,943	20,981

A decrease of 10% would have equal but opposite effect to the amounts shown above, on the basis that all other variable remains same.

**20.4 Unit Holders' Fund risk management**

Management's objective when managing Unit holders' Fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders and to ensure reasonable safety of Unit holders' Fund. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in market's conditions.

Under the NBFC Regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

**21 FAIR VALUE OF FINANCIAL INSTRUMENTS**

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. quoted equity shares are based on the quoted market prices at the close of trading on the period end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2023		Carrying amount				Fair value			
		At fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
Financial assets - measured at fair value									
Investments	5	239,431	-	-	239,431	239,431	-	-	239,431
Financial assets - not measured at fair value		21.1							
Bank balances	4	-	45,617	-	45,617	-	-	-	-
Dividend and profit receivable	6	-	766	-	766	-	-	-	-
Receivable against sale of investments	-	-	-	-	-	-	-	-	-
Receivable against issuance of units	-	-	12,000	-	12,000	-	-	-	-
Advances, deposits, prepayments and other receivables	7	-	3,151	-	3,151	-	-	-	-
		239,431	61,534	-	300,965	239,431	-	-	239,431
Financial liabilities - not measured at fair value		21.1							
Payable to the AL Habib Asset Management Limited - Management Company	14	-	-	12	12	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	55	55	-	-	-	-
Accrued expenses and other liabilities	11	-	-	1,100	1,100	-	-	-	-
		-	-	1,167	1,167	-	-	-	-

30 June 2022

30 June 2022	Carrying amount					Fair value			
		At fair value through profit or loss	Amortized cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
	Note	(Rupees in '000)							
<b>Financial assets - measured at fair value</b>									
Investments	5	209,810	-	-	209,810	209,810	-	-	209,810
<b>Financial assets - not measured at fair value</b>									
Bank balances	4	-	65,078	-	65,078	-	-	-	-
Dividend and profit receivable	6	-	1,126	-	1,126	-	-	-	-
Receivable against sale of investments	-	-	24,675	-	24,675	-	-	-	-
Receivable against issuance of units	-	-	48	-	48	-	-	-	-
Advances, deposits, prepayments and other receivables	7	-	5,681	-	5,681	-	-	-	-
		209,810	96,608	-	306,418	209,810	-	-	209,810
<b>Financial liabilities - not measured at fair value</b>									
Payable to the AL Habib Asset Management Limited - Management Company	14	-	-	707	707	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	9	-	-	67	67	-	-	-	-
Accrued expenses and other liabilities	11	-	-	1,288	1,288	-	-	-	-
		-	-	2,062	2,062	-	-	-	-

**21.1** The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 22 PATTERN OF UNITHOLDING

Unit holding pattern of the fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	87	109,993	8,198	2.75%
Associated Companies and Directors	8	3,609,364	268,997	90.16%
Retirement Funds	-	-	-	0.00%
Others	6	283,957	21,163	7.09%
	101	4,003,314	298,358	100.00%

Unit holding pattern of the fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	98	3,535,116	263,418	87.02%
Associated Companies and Directors	1	100,929	7,520	2.48%
Retirement Funds	2	23,701	1,766	0.58%
Others	6	403,182	30,041	9.92%
	107	4,062,928	302,745	100.00%

**23 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID BY THE FUND**

Name of Broker	2023 (Percentage)	2022 (Percentage)
Al-Habib Capital Markets (Pvt) Ltd	19.00%	21.00%
BMA Capital Management Limited	13.00%	13.00%
DJM Securities Limited	13.00%	11.00%
Next Capital Limited	11.00%	6.00%
Optimus Capital Management (Pvt.) Limited	10.00%	8.00%
Habib Metropolitan Financial Services Limited	10.00%	6.00%
Topline Securities (pvt) Ltd.	8.00%	5.00%
Arif Habib Limited	8.00%	16.00%
Ismail Iqbal Securities	5.00%	1.00%
Taurus Securities Limited	3.00%	6.00%
KTRade Securities Limited	0.00%	7.00%
AKD Securities Limited	0.00%	0.00%
	<b>100.00%</b>	<b>100.00%</b>

**24 FINANCIAL INSTRUMENTS BY CATEGORY**

30 June 2023			
	At Amortised cost	At fair value through profit or loss (Rupees in '000)	Total
<b>Financial assets</b>	Note		
Bank balances	4	45,617	45,617
Investments	5	-	239,431
Dividend and profit receivable	6	766	766
Receivable against issuance of units	18	12,000	12,000
Advances, deposits, prepayments and other receivables	7	3,658	3,658
		<b>62,041</b>	<b>301,472</b>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	14	12	12
Payable to Central Depository Company of Pakistan Limited - Trustee	9	55	55
Accrued expenses and other liabilities	11	1,513	1,513
		<b>1,580</b>	<b>1,580</b>
30 June 2022			
	At Amortised cost	At fair value through profit or loss (Rupees in '000)	Total
<b>Financial assets</b>			
Bank balances	4	65,078	65,078
Investments	5	-	209,810
Dividend and profit receivable	6	1,126	1,126
Receivable against issuance of units	18	48	48
Advances, deposits, prepayments and other receivables	7	5,681	5,681
		<b>71,933</b>	<b>281,743</b>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	14	707	707
Payable to Central Depository Company of Pakistan Limited - Trustee	9	67	67
Accrued expenses and other liabilities	11	1,356	1,356
		<b>2,130</b>	<b>2,130</b>

**25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

<b>Name of Director</b>	<b>Designation</b>	<b>Qualification</b>	<b>Experience in years</b>
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	23
Mr. Talha A. Siddiqui	Fund Manager	Post Graduate - Economics	6

**25.1** Mr. Talha Akhtar Siddiqui is also Fund Manager of AL Habib Asset Allocation Fund and AL Habib Stock Fund.

**26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

<b>Name of Director</b>	<b>Number of meetings</b>			<b>Meeting(s) not attended</b>
	<b>Held</b>	<b>Attended</b>	<b>Leave Granted</b>	
Mr. Abbas D. Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Mr. Imran Azim	4	3	1	96th Meeting
Ms. Zarine Aziz	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi (CEO)	4	4	-	-

**27 TOTAL EXPENSE RATIO (TER)**

TER of the Fund for the year ended 30 June 2023 is 2.27% which include 0.22% representing government levies and SECP fee. This ratio is within the maximum limit of 4.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an equity scheme.

**28 GENERAL****28.1 Corresponding figures**

**28.1.1** Corresponding figures have been reclassified and re-arranged in these financial statements, whenever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant reclassifications or rearrangements have been made in these financial statements during the current year.

**28.2 Date of authorisation for issue**

These financial statements were authorised for issue by the Board of Directors of the Management Company on 17 August, 2023.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director



**ANNUAL FUND MANAGER REPORT  
FINANCIAL YEAR 2023****Fund Objective:**

The investment objective of AHISF is to seek long-term capital growth by investing primarily in a Shariah Compliant diversified pool of equities and equity related instruments. The management team shall ensure the active implementation of prudent investment practices, the highest professional standards and compliance of applicable laws.

**Fund Objective Achieved:**

The Fund has achieved its stated objective.

**Performance Review:**

The return of the fund for FY23 was 0.87%.

Strategies and Policies Employed during the period under review:

AHISF primarily invests in Shariah compliant equity securities listed on Pakistan Stock Exchange. The selection criterion for these securities is based upon hybrid investment approach with companies having sound financial history back by strong fundamentals. The residual funds are placed with Commercial Banks in order to maintain liquidity requirements of the fund.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open Ended - Shariah Compliant Equity Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	April 01, 2017	<b>Management Fee</b>	2% per annum of average daily net assets.
<b>Benchmark</b>	KMI-30 Index	<b>Sales Load</b>	2% front-end-load (Management has the discretion to reduce or waive load on any transaction)
<b>Dealing Days/Timings</b>	Monday to Thursday 9:00 am to 3:30 pm Friday 9:00 am to 4:30 pm	<b>Minimum Investment</b>	Rs. 5,000
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Trustee</b>	Central Depository Company of Pakistan Limited.
<b>Pricing Mechanism</b>	Forward Pricing	<b>Risk Profile</b>	High (Principal at high risk)

**Market Review:**

The benchmark KSE-100 exhibited a range bound trend for the Fiscal Year 2023 oscillating between 38,000 points and 42,000 points. The index posted a flat return of 0.33%, due to rising inflation caused by commodity super cycle, change in political leadership of the country and delay in approval of IMF's review. Conversion of capital from stock market to money market was witnessed on account of shift in SBP stance from accommodative to tightening the monetary policy by raising policy rate to 22%.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the year end.

Average traded volume and value during FY23 stood at (192mn shares) and (USD 25mn), respectively. On sectoral basis, volumes were led by Technology (41.0mn shares), Power (15.8mn shares), Banks (15.6mn shares), Refinery (15.3mn shares), and OGMCS (15.0mn shares). Sector-wise value was led by Technology (USD 5.0mn), E&P (USD 2.9mn), Cement (USD 2.7mn), Banks (USD 2.2mn), and Refinery (USD 1.9mn).

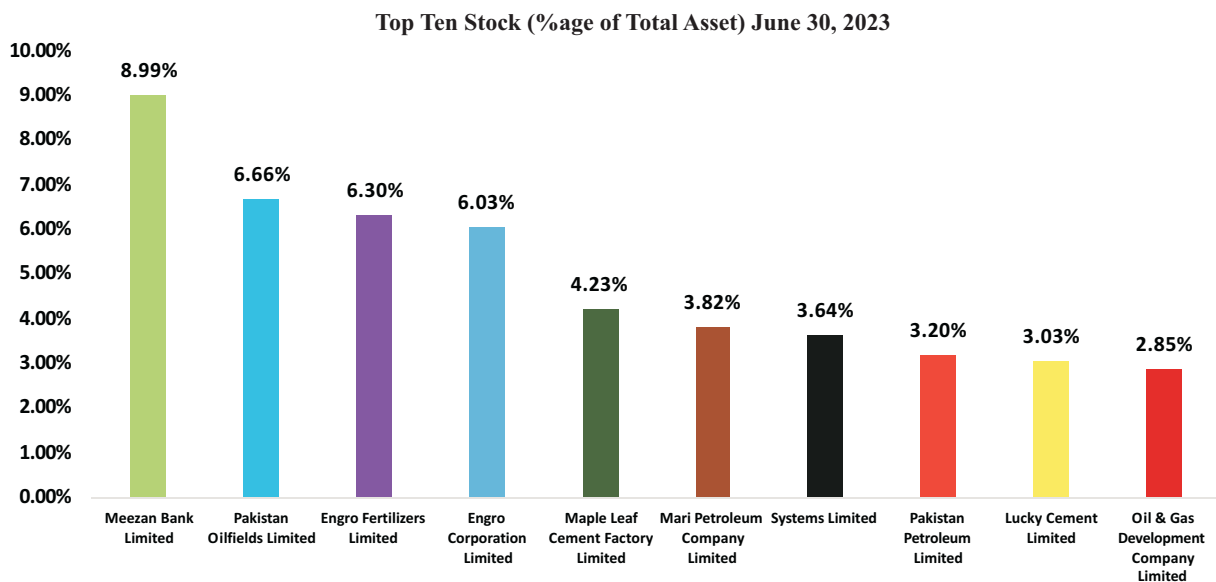
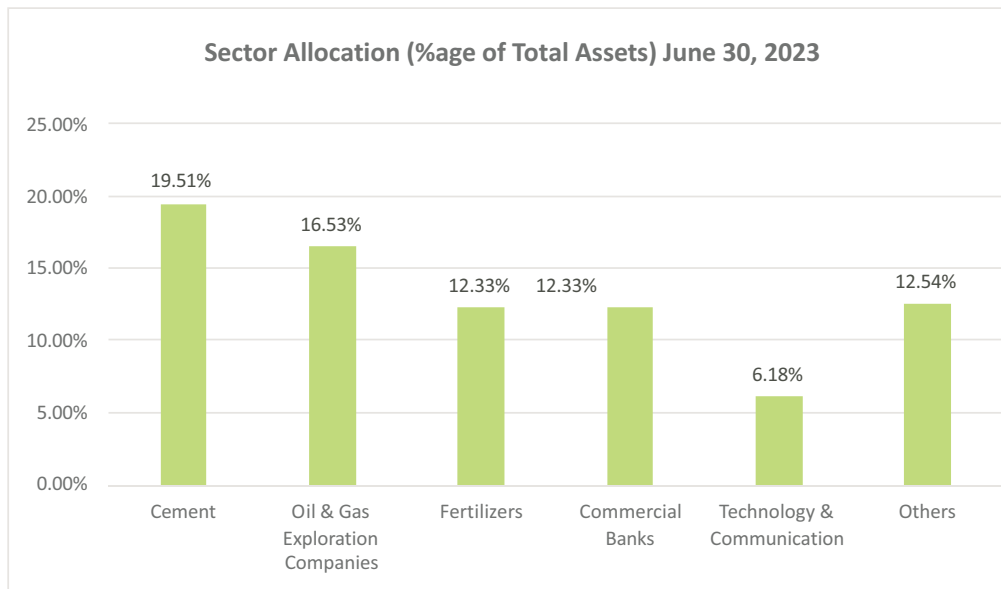
Market sentiment is expected to remain neutral due to prevailing uncertainty on political and economic front. The resumption of IMF program is expected to attract more inflows from bilateral and multilateral which shall relive pressure on currency and foreign reserves. Additionally, we view that headline CPI will start easing from Oct'23 onwards, due to high base effect of the prior year, leading a way to decrease in interest rates going forward which will support the KSE 100 index.

## Asset Allocation of Fund

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	15.13%	21.27%
Equity	79.42%	68.57%
Others	5.45%	10.16%

## Breakdown of Unit Holdings By Size

Size of Unit Holding (Units)	# of Unit Holders
1-5000	82
5001-50000	9
50001-100000	1
100001-500000	3
1000001-5000000	1
<b>Total</b>	<b>96</b>



## AL HABIB ISLAMIC STOCK FUND

### Income Distribution

AHISF made a total distribution of Rs.0.64 during FY23 in the form of dividend, the details of which is as follows;

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
June-23	75.1501	174.5140	0.6361

### During the period under question:

There has been no significant change in the state of affairs of the Fund. Al Habib Islamic Stock Fund does not have any soft commission arrangement with any broker in the industry.

### Sales and Redemptions of Units

During the year, 854,076 units valued Rs. 64.58 Mn. were sold, while 456,845 units valued Rs. 34.33 Mn. were redeemed, resulting in to a net sale of 397,231 units valued Rs. 30.24 Mn. during the year.

### Unit Holders Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

### Fund Performance at a Glance

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	298.36	302.74
NAV per unit as at June 30 (Rs. )	74.5278	74.5140
Distribution during the year ended June 30 (Rs. )	0.64	-
Annual Return	0.87%	-5.95%
Benchmark	2.88%	-10.25%

### Disclosure:

There are no material circumstances affecting unit holder interests.

**AL HABIB ISLAMIC SAVINGS FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

EY Ford Rhodes  
Progressive Plaza,  
Beaumont Road,  
Karachi 75530, Pakistan

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
PACRA  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

**Rating**

AA(f) Fund Stability Rating, Rating by  
AM2+ Management Company Quality  
Rating Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Islami Pakistan Limited  
Al Baraka Bank Pakistan Limited  
Allied Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.  
Tel : (92-21) 111-111-500  
Fax: (92-21) 34326021 - 23  
URL: www.cdcpakistan.com  
Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB ISLAMIC SAVINGS FUND**

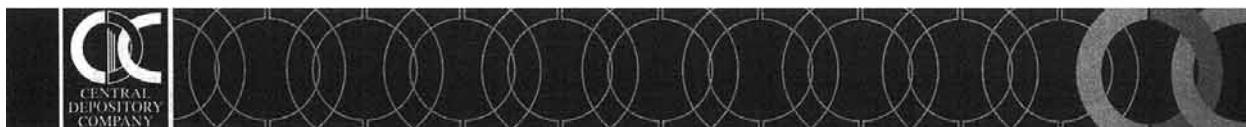
**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of AL Habib Islamic Savings Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the year ended June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023



**REVIEW REPORT OF THE SHARIAH ADVISOR**

As a Shariah Advisor of the **AL Habib Islamic Savings Fund (AHISAVF)** , I am issuing this report. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with Shariah guidelines. My responsibility is to express an opinion, based on my 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, I hereby certify that:

- I have reviewed and approved the modes of investment of AHISAVF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of AHISAVF 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 AHISAVF for the period from July 01, 2022 to June 30, 2023 have been in compliance with Shariah principles.



**Dr. Mufti Ismatullah Hamdullah**  
Shariah Advisor

Date: June 30, 2023





EY Ford Rhodes  
Chartered Accountants  
Progressive Plaza, Beaumont Road  
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## Independent Reasonable Assurance Report to the Unit Holders in respect of Shariah Compliance

### 1. Introduction

We were engaged by the Board of Directors of Al Habib Asset Management Limited (the Management Company) to report on the Shariah compliance of **Al Habib Islamic Savings Fund** (the Fund), as set out in the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments for the year ended **30 June 2023**, in the form of an independent reasonable assurance conclusion. Our engagement was carried out as required under clause 11.5 of trust deed of the Fund.

### 2. Applicable Criteria

The criteria against which the Shariah Compliance of the Fund is assessed is the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 3. Responsibilities of the Management Company

It is the responsibility of the Management Company of the Fund to ensure Shariah compliance with Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. This responsibility includes designing, implementing, and maintaining appropriate internal controls to ensure that operations of the Fund and its investments and placements have been made in compliance with respect to Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.

### 4. Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Chartered Accountants* issued by the Institute of Chartered Accountants of Pakistan, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1 "Quality Control for firms that perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements" and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

This engagement was conducted by a multidisciplinary team including assurance practitioners and internal Shariah experts.

### 5. Our Responsibility and Summary of Work Performed

Our responsibility is to carry out an independent reasonable assurance engagement to express a conclusion on Shariah Compliance of the Fund, based on our work performed and the evidences obtained.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised), *'Assurance Engagements other than audits or reviews of historical financial statements'* (ISAE 3000) (Revised) issued by the International Auditing and Assurance Standards Board. ISAE 3000 (Revised) requires that we plan and perform this engagement to obtain reasonable level of assurance about whether the Fund is Shariah Compliant in accordance with its Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in all material respects.



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The procedures selected by us for the engagement depended on our judgment, including the assessment of the risks of material non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, whether due to fraud or error. In making those risk assessments, we considered internal control relevant to the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, in order to design assurance procedures that are appropriate in the circumstances but not for the purpose of expressing a conclusion as to the effectiveness of the Management Company's internal control over the Fund's compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments. A system of internal control, because of its nature, may not prevent or detect all instances of non-compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments, and consequently cannot provide absolute assurance that the objective of compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments will be met. Further, projection of any evaluation of effectiveness to future periods is subject to the risk that the controls may become inadequate or fail.

Amongst others, our scope included procedures to:

- Check compliance of Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments.
- Check that the Shariah Advisor has certified that all the provisions of the scheme and investments made by the Fund for the year ended 30 June 2023 are in compliance with the Shariah principles.

In performing our audit procedures necessary guidance on Shariah matters was provided by the internal Shariah experts.

We believe that the evidence we have obtained through performing our procedures on a sample basis were sufficient and appropriate to provide a basis for our opinion.

#### 6. Conclusion

In our opinion, the Fund was, in all material respects, in compliance with the Shariah guidelines duly approved by Shariah advisor in respect of Fund's investments during the year ended 30 June 2023.

Date: 28 September 2023  
Karachi

Signature  
Chartered Accountants

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Arsian Khalid  
Assurance Engagement Partner



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## **INDEPENDENT AUDITORS' REPORT**

**To the Unit holders of AL Habib Islamic Savings Fund**

### **Report on the Audit of the Financial Statements**

#### **Opinion**

We have audited the financial statements of **AL Habib Islamic Savings Fund** (the Fund), which comprise the statement of assets and liabilities as at **30 June 2023**, and the income statement, statement of comprehensive income, cash flows statement and statement of movement in unit holders' fund for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 30 June 2023, and of its financial performance and its cash flows for the year then ended in accordance with the accounting and reporting standards as applicable in Pakistan.

#### **Basis for Opinion**

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

#### **Key Audit Matters**

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





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Following is the key audit matter:

Key audit matter	How our audit addressed the key audit matter
<b>Investments in Debt Instruments</b>	
<p>As disclosed in note 5 to the accompanying financial statements of the Fund for the year ended 30 June 2023, the investments held by the Fund comprised of debt investments which represent significant portion of the total assets of the Fund as at the year end.</p> <p>In view of the above, we have considered this area as a key audit matter.</p>	<p>We performed a combination of audit procedures focusing on the existence and valuation of debt investments. Our key procedure included the following:</p> <ul style="list-style-type: none"> <li>- We obtained an understanding of fund's process over acquisition, disposals and periodic valuation of investment portfolio and evaluated / tested controls in those areas for the purpose of our audit.</li> <li>- We performed substantive audit procedures on year-end balance of portfolio including review of custodian's statement and valuations on the basis of prices determined by Mutual Funds Association of Pakistan (MUFAP).</li> <li>- We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulations) in relation to the concentration of debt investments and exposure limits prescribed in such Regulations and the applicability of disclosures in this regard.</li> <li>- We also evaluated the adequacy of the overall disclosures in the financial statements in respect of the debt investments portfolio in accordance with the requirements of the Regulations and applicable financial reporting standards.</li> </ul>

#### Other Information

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

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

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

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### **Responsibilities of Management and Board of Directors for the Financial Statements**

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

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

The Board of Directors are responsible for overseeing the Fund's financial reporting process.

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

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

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

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

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

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

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

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

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

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

**Chartered Accountants**

**Date:** 28 September 2023

**Karachi**

**UDIN Number:** AR202310191MLxlv1oS6

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	Note	2023 (Rupees in '000)	2022 (Rupees in '000)
<b>Assets</b>			
Bank balances and Term deposit receipt	4	3,374,402	3,311,222
Investments	5	988,454	-
Profit receivable	6	158,222	33,474
Deposit & other receivable	7	242	109
Preliminary expenses and floatation costs	8	593	663
<b>Total assets</b>		<b>4,521,913</b>	<b>3,345,468</b>
<b>Liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	12	4,571	1,247
Payable to Central Depository Company of Pakistan Limited - Trustee	14	390	178
Payable to Securities and Exchange Commission of Pakistan (SECP)	15	701	151
Accrued expenses and other liabilities	9	108,891	1,619
<b>Total liabilities</b>		<b>114,553</b>	<b>3,195</b>
<b>Net assets</b>		<b>4,407,360</b>	<b>3,342,273</b>
<b>Unit holders' fund (as per the statement attached)</b>		<b>4,407,360</b>	<b>3,342,273</b>
<b>Contingencies and Commitments</b>			
	10		
		(Number of Units)	
<b>Number of units in issue (face value of units is Rs. 100 each) - Growth Units</b>		<b>43,890,230</b>	<b>33,422,733</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>100.42</b>	<b>100.00</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director



**INCOME STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	For the period from 20 December 2021 to 30 June 2022
	Note	(Rupees in '000)	
<b>Income</b>			
Profit on bank deposits	11	309,119	93,111
Profit on term deposits receipts		37,923	131
Profit / return on investments		190,441	-
Net gain / (loss) on investments designated as 'at fair value through profit or loss'			
- Gain / (loss) on sale of Sukuk Certificates	5.2	17,236	-
- Net unrealized gain / (loss) on revaluation of investments		3,145	-
		20,381	-
<b>Total income</b>		557,864	93,242
<b>Expenses</b>			
Remuneration of AL Habib Asset Management Limited - Management Company	12	23,462	2,461
Sindh sales tax on management company's remuneration	12.1	3,050	320
Expense allocated by the Management Company	13	4,889	1,513
Remuneration of Central Depository Company of Pakistan Limited - Trustee	14	2,590	567
Sindh sales tax on trustee remuneration	14.1	337	74
Annual fee to Securities and Exchange Commission of Pakistan (SECP)	15	701	151
Settlement & bank charges		14	6
Listing fee		25	50
Auditors' remuneration	16	567	354
Other expenses		190	14
Amortization of preliminary expenses and floatation costs	8	70	38
<b>Total expenses</b>		35,895	5,548
<b>Net income for the year before taxation</b>		521,969	87,694
Taxation	17	-	-
<b>Net income for the year after taxation</b>		521,969	87,694
<b>Allocation of net income for the year after taxation:</b>			
Net income for the year		521,969	87,694
Income already paid on units redeemed		(123,536)	-
		398,433	87,694
<b>Accounting income available for distribution:</b>			
Relating to capital gains		20,381	-
Excluding capital gains		378,052	87,694
		398,433	87,694

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	2023	For the period from 20 December 2021 to 30 June 2022
	(Rupees in '000)	
Net income for the year after taxation	521,969	87,694
Other comprehensive income for the year	-	-
<b>Total comprehensive income for the year</b>	<b>521,969</b>	<b>87,694</b>

The annexed notes 1 to 28 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

Note	2023			For the period from 20 December 2021 to 30 June 2022		
	Capital Value	Undistributed income	Net Asset	Capital Value	Undistributed income	Net Asset
	(Rupees in '000)			(Rupees in '000)		
Net assets at the beginning of the year	3,342,273	-	3,342,273	-	-	-
Issuance of 171,711,193 units (30 June 2022: 49,876,801 units) *						
Including additional 1,423,644 (30 June 2022: Nil) unit issued at nil value						
- Capital value	17,171,119	-	17,171,119	4,987,680	-	4,987,680
- Element of income	165,679	-	165,679	-	-	-
Amount received on issuance of units	17,336,798	-	17,336,798	4,987,680	-	4,987,680
Redemption of 161,243,695 units (30 June 2022: 16,454,068 units)						
- Capital value	(16,124,370)	-	(16,124,370)	(1,645,407)	-	(1,645,407)
- Element of income	(23,377)	(123,536)	(146,913)	-	-	-
Amount paid on redemption of units	(16,147,747)	(123,536)	(16,271,283)	(1,645,407)	-	(1,645,407)
Total comprehensive income for the year	-	521,969	521,969	-	87,694	87,694
Cash distribution for the year ended 30 June 2023: Rs. 14.6396 per unit (30 June 2022: Rs. 5.8291 per unit *	1.9 (142,364)	(380,033)	(522,397)	-	(87,694)	(87,694)
	(142,364)	141,936	(428)	-	-	-
Net assets at the end of the year	4,388,960	18,400	4,407,360	3,342,273	-	3,342,273
Undistributed income brought forward						
- Realised income		-			-	
- Unrealised income		-			-	
		-			-	
Accounting income available for distribution						
- Relating to capital gains	20,381			-		
- Excluding capital gains	378,052			87,694		
	398,433			87,694		
Cash distribution for the year ended 30 June 2023: Rs. 14.6396 per unit (30 June 2022: Rs. 5.8291 per unit *		(380,033)			(87,694)	
Undistributed income carried forward		18,400			-	
Undistributed income carried forward						
- Realised income		15,255			-	
- Unrealised income		3,145			-	
		18,400			-	
		(Rupees)			(Rupees)	
Net assets value per unit at beginning of the year		100.00			-	
Net assets value per unit at end of the year		100.42			100.00	

\* During the year all the units issued by the Fund are Growth units and dividend on these units have been reinvested on daily basis. (Refer note 1.8)

The annexed notes 1 to 28 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

		2023	For the period from 20 December 2021 to 30 June 2022
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	Note	(Rupees in '000)	
Net income for the year before taxation		521,969	87,694
<b>Adjustments for :</b>			
Profit on bank deposits		(309,119)	(93,111)
Profit on term deposits receipts		(37,923)	(131)
Profit / return on investments		(190,441)	-
Net unrealized gain / (loss) on revaluation of investments		(3,145)	-
Amortization of preliminary expenses and floatation costs		70	38
		(18,589)	(5,510)
<i>Increase in assets</i>			
Investments		(985,309)	-
Deposit & other receivable		(133)	(109)
Preliminary expenses and floatation costs		-	(701)
		(985,442)	(810)
<i>Increase in liabilities</i>			
Payable to AL Habib Asset Management Limited - Management Company		3,324	1,247
Payable to Central Depository Company of Pakistan Limited - Trustee		212	178
Payable to Securities and Exchange Commission of Pakistan		550	151
Accrued expenses and other liabilities		107,272	1,619
		111,358	3,195
Profit on bank deposits and term deposit receipt received		314,936	59,768
Profit / return on investments		97,799	-
<b>Net cash (used in) / generated from operating activities</b>		(479,938)	56,643
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of units		17,336,798	4,987,680
Payments against redemption of units		(16,271,283)	(1,645,407)
Dividend paid during the year		(522,397)	(87,694)
<b>Net cash generated from financing activities</b>		543,118	3,254,579
<b>Net increase in cash and cash equivalents during the year</b>		63,180	3,311,222
Cash and cash equivalents at beginning of the year		3,311,222	-
Cash and cash equivalents at the end of the year		3,374,402	3,311,222
<b>Cash and cash equivalents comprise of :</b>			
Bank balances and Term deposit receipt	4	3,374,402	3,311,222
		3,374,402	3,311,222

The annexed notes 1 to 28 form an integral part of these financial statements.

For AL Habib Asset Management Limited  
(Management Company)

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** AL Habib Islamic Savings Fund ("the Fund") was established under a Trust Deed executed between AL Habib Asset Management Limited (AHAML) as the Management Company and Central Depository Company of Pakistan Limited (CDC) as Trustee. The Trust Deed was executed on 27 September 2021 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 31 May 2021 under Regulation 44 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations).
- 1.2** The Management Company of the Fund has been licensed to undertake Asset Management Services as Non-Banking Finance Company under the NBFC Rules by SECP. The registered office of the management company is situated at 3rd floor, MacKinnon's Building, I.I. Chundrigar Road, Karachi, Pakistan.
- 1.3** The Fund is an open-end mutual fund and is listed on Pakistan Stock Exchange. Units are offered for public subscription on continuous basis. Units are transferable and can be redeemed by surrendering them to the Fund at the option of the unit holder.
- 1.4** The Investment objective of AL Habib Islamic Savings Fund is to provide competitive risk adjusted return to its investors by investing in a diversified portfolio of long, medium and short term shariah compliant debt instrument while taking into account liquidity considerations.
- 1.5** The Fund has been categorized as an Open-ended Shariah Compliant Income Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS).
- 1.6** Title to the assets of the Fund is held in the name of Central Depository Company (CDC) of Pakistan Limited as a trustee of the Fund.
- 1.7** Pakistan Credit Rating Agency (PACRA) has assigned asset management rating of 'AM2' to the Management Company on 15 September 2021.
- 1.8** As per the offering document of the Fund, an investor shall, at the time of opening an account, select the types of units in which the investor wishes to invest, i.e. Growth Unit. Furthermore, at the time of dividend distribution the unit holders receive additional units or cash dividend against Growth unit, respectively.

During the year all the units issued by the Fund are Growth units and dividend has been reinvested on daily basis.

- 1.9** As per the offering document of the Fund, the Management Company may decide to distribute all net profit (after deducting all expenses of the Fund) on a periodic basis (that is Daily, Weekly, Monthly, Quarterly and Yearly) as dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute not less than 90% of its net accounting income available for distribution for the year derived from sources other than capital gains, to the unitholders. During the year, the management has distributed all the net income earned by the Fund as Dividend to the unit holders which has been reinvested on daily basis.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

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

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

**2.2 New / Revised Standards, Interpretations and Amendments**

There are certain new and amended standards, issued by International Accounting Standards Board (IASB), interpretations and amendments that are mandatory for the Fund's accounting periods beginning on or after July 01, 2022 but are considered not to be relevant or do not have any significant effect on the Fund's operations and therefore not detailed in these 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:

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	01 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	01 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12	01 January 2023
International Tax Reform – Pillar Two Model Rules - Amendments to IAS 12	01 January 2023
Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1	01 January 2024
Lease Liability in a Sale and Leaseback – Amendments to IFRS 16	01 January 2024
Disclosures: Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7	01 January 2024
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendment to IFRS 10 and IAS 28	Not yet finalized

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.

**2.4 Critical accounting estimates and judgements**

The preparation of financial statements in accordance with the accounting and reporting standards as applicable in Pakistan requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates, judgements 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 judgements about carrying values of assets and liabilities. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that year, or in the year of revision and future years if the revision affects both current and future years.

**2.5 Basis of measurement**

These financial statements have been prepared under the historical cost convention except that investments which are required to be stated at fair value.

**2.6 Functional and presentation currency**

These financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency. All amount have been rounded to the nearest thousand rupees, unless stated otherwise.

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The significant accounting policies applied in the preparation of these financial statements are set out below.

**3.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

**3.2 Financial assets****3.2.1 Initial recognition and measurement**

Financial assets are recognised at the time the Fund becomes a party to the contractual provisions of the instruments. These are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs associated with these financial assets are charged to the Income Statement.

**3.2.2 Classification****Equity Instruments**

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. An equity instrument held for trading purposes or in which FVOCI election is not taken is classified as measured at FVTPL. Given the objectives of the Fund, all investments have been classified as FVTPL.

**Debt Instruments**

A debt instrument is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt instrument held for trading purposes or which does not meet the SPPI criterion is classified as measured at FVTPL.

In addition, on initial recognition, the Fund may irrevocably designate a debt instrument that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

**3.2.3 Business model assessment**

The Fund's business model is not assessed on an instrument by instrument basis, but at a higher level of aggregated portfolios and is based on observable factors such as: the objectives for the portfolio; how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed etc.

**3.2.4 Assessment of whether contractual cash flows are solely payments of principal and interest**

For the purposes of this assessment on debt securities, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Fund considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

**3.2.5 Subsequent measurement**

The following accounting policies apply to the subsequent measurement of financial assets:



<b>Debt investments at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest / markup income, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Debt investments at FVOCI</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to income statement.
<b>Debt investments at FVTPL</b>	These assets are subsequently measured at fair value. Interest / markup income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in income statement.
<b>Equity instruments at FVOCI</b>	<p>Upon initial recognition, the Fund occasionally elects to classify irrevocably some of its equity investments as equity instruments at FVOCI when they meet the definition of Equity under IAS 32 Financial Instruments: Presentation and are not held for trading. Such classification is determined on an instrument-by instrument basis. The Fund has not used this classification for its investment portfolio.</p> <p>Gains and losses on these equity instruments are never recycled to profit. Dividends are recognised in profit or loss as other operating income when the right of the payment has been established, except when the Fund benefits from such proceeds as a recovery of part of the cost of the instrument, in which case, such gains are recorded in OCI. Equity instruments at FVOCI are not subject to an impairment assessment.</p>
<b>Equity investments at FVTPL</b>	These assets are subsequently measured at fair value. Dividends are recognised as income in income statement unless the dividend clearly represents a recovery of part of the cost of the investment.

The fair value of financial assets are determined as follows:

**a) Debt securities (other than Government securities)**

The debt securities are valued on the basis of rates determined by the Mutual Funds Association of Pakistan in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 33 of 2012 dated 24 October 2012. In determination of the rates, MUFAP takes into account the holding pattern of these securities and categorises them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

**b) Debt securities (Government securities)**

The Government securities are valued on the basis of rates announced by the Financial Markets Association of Pakistan.

**c) Equity securities**

The equity securities are valued on the basis of closing quoted market prices available at the Pakistan Stock Exchange.

### 3.2.6 Reclassification

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

### 3.2.7 Impairment of financial assets

IFRS 9 requires an expected credit loss model which requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

However, SECP through its SCD/AMCW/RS/MUFAP/2017-148 dated 21 November 2017 have deferred the applicability of above impairment requirements in relation to debt securities for mutual funds and accordingly, basis defined in Circular No. 33 of 2012 dated, 24 October 2012 have been followed.

### 3.2.8 Regular way contracts

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

**3.2.9 Derecognition**

A financial asset (or, where applicable, a part of a financial asset or a part of a group of similar financial assets) is derecognised where the rights to receive cash flows from the asset have expired, or the Fund has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a pass-through arrangement and the Fund has:

- (a) Transferred substantially all of the risks and rewards of the asset; or
- (b) Neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Fund has transferred its right to receive cash flows from an asset (or has entered into a pass-through arrangement), and has neither transferred nor retained substantially all of the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Fund's continuing involvement in the asset. In that case, the fund also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the fund has retained. The Fund derecognises a financial liability when the obligation under the liability is discharged, cancelled or expired.

**3.2.10 Offsetting of financial instruments**

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

**3.3 Financial liabilities**

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

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

**3.4 Provisions**

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

**3.5 Unit holders' fund**

Unit holders' fund representing the units issued by the Fund, is carried at the net assets value representing the investors' right to a residual interest in the Fund's assets.

**3.6 Issue and redemption of units**

Units issued are recorded at the offer price, determined by the Management Company for the application received during business hours on that day. The offer price represents the Net Asset Value (NAV) per unit as of the close of the business day, plus the allowable sales load and provision of any duties and charges if applicable. The sales load is payable to the Management Company / Distributors as processing fee.

Units redeemed are recorded at the redemption price applicable to units for which the Management Company receives redemption application during business hours of that day. The redemption price shall be equal to NAV as of the close of the business day, less an amount as the Management Company may consider to be an appropriate provision of duties and charges as processing fee.

**3.7 Element of income**

Element of Income represents the difference between net assets value on the issuance or redemption date, as the case may be, of units and the Net asset Value (NAV) at the beginning of the relevant accounting period.

Element of Income is a transaction of capital nature and the receipt and payment of element of income is taken to Unit holders' Fund; however, to maintain same ex-dividend net asset value of all units outstanding on accounting date, net element of income contributed on issue of units lying in Unit holders' Fund is refunded on units (refund of capital) in the same proportion as dividend bears to accounting income available for distribution. As per guideline provided by MUFAP (MUFAP Guidelines consented upon by SECP), the refund of capital is made in the form of additional units at zero price.

MUFAP, in consultation with the SECP, has specified methodology for determination of income paid on units redeemed (income already paid) during the year under which such income is paid on gross element received and is calculated from the latest date at which the Fund achieved net profitability during the year. The income already paid (Element of Income) on redemption of units during the year are taken separately in Statement of Movement in Unit holders' Fund.

**3.8 Net asset value - per unit**

The net asset value per unit as disclosed in the Statement of Assets and Liabilities is calculated by dividing the net assets of the Fund by the number of units outstanding at the year end.

**3.9 Taxation**

The Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed in the form of cash among the unit holders. Provided that, for the purpose of determining distribution of at least ninety percent of its accounting income for the year, the income distributed through bonus units shall not be taken into account.

The Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the Period as reduced by capital gains, whether realised or unrealised, to its unit holders every year. During the year, the management has distributed all the net income earned by the Fund as Dividend to the unit holders which has been reinvested on daily basis. Accordingly, no tax liability or deferred tax has been recognised in these financial statements.

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

**3.10 Revenue recognition**

- Profit on deposits with banks and mark-up / return on investments in debt securities are recognised using effective yield method.
- Dividend income is recognised when the right to receive dividend is established i.e. on the date of book closure of the investee company / institution declaring the dividend.
- Realised capital gains / (loss) arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised gains / (loss) arising on mark to market of investments classified as ' financial assets at fair value through profit or loss ' are included in the Income Statement in the year in which they arise.

**3.11 Zakat Payable**

Zakat payment is the responsibility of each unit holder. Nevertheless, the Fund follows the provisions of Zakat and Ushr Ordinance, 1980. Units held by individual resident Pakistani unit holders are subject to Zakat at 2.5% of the par value of unit under the said Ordinance, except those exempted from Zakat. Zakat is deducted at source from dividend or from redemption proceeds, if units are redeemed during the Zakat year before the payment of Zakat.

**3.12 Expenses**

All expenses including management fee, trustee fee and annual fee of SECP are recognised in the income statement on an accrual basis.

**3.13 Preliminary expenses and floatation costs**

Preliminary expenses and floatation costs represent expenditure incurred up to the close of Initial Public Offer (IPO) period of the Fund. These costs are being amortised over a period of ten Periods commencing from 20 December 2021 as per the Trust Deed of the Fund.

**3.14 Distribution**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements of the period in which such distributions are declared. Based on MUFAP's guidelines (duly consented upon by SECP), distributions for the year is deemed to comprise of the portion of amount of income already paid on units redeemed and the amount of cash distribution for the year.

The distribution per unit is announced based on units that were held for the entire period. The rate of distribution is adjusted with effect of refund of capital, if any, based on the year of investment made during the Period. Resultantly, the rate of distribution per unit may vary depending on the year of investment.

**3.15 Earnings per unit (EPU)**

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.

	Note	2023 (Rupees in '000)	2022
<b>4 BANK BALANCES AND TERM DEPOSIT RECEIPT</b>			
Saving accounts	4.1	2,974,402	3,211,222
Term deposit receipt	4.2	400,000	100,000
		<b>3,374,402</b>	<b>3,311,222</b>

**4.1** The profit rates effective at year end on these accounts range from 18.00% to 20.50% (30 June 2022: 14.75% to 16.20%) per annum. It includes balance of Rs. 1,846.40 million with Bank AL Habib Limited (ultimate parent), a related party carrying profit rate effective at year end is 19.75% (30 June 2022: 15.50%) per annum.

**4.2** This represents term deposit receipt held with Askari bank and Bank Al Falah carrying profit rates at 20.20% and 20.50% (30 June 2022: 15.95%) per annum respectively and their maturity date is 23 July 2023 and 18 July 2023 respectively. Its original maturity was ninety days or less and qualifies for Cash and cash equivalents.

	Note	2023 (Rupees in '000)	2022
<b>5 INVESTMENTS</b>			
<b>At fair value through profit or loss</b>			
Investment in Sukuk Certificates	5.1	988,454	-
		<b>988,454</b>	<b>-</b>

**5.1 Sukuk Certificates**

Name of the Investee	Note	Face Value				As at 30 June 2023			Market value as percentage of	
		As at 01 July 2022	Purchased during the year	Sold / matured during the year	As at 30 June 2023	Carrying value	Market value	Unrealised gain / (loss)	Net Assets	Total investments
		Number of Certificates				(Rupees in '000)				
GOP IJARA SUKUK - 5 YEAR VRR (26-10-2022) (certificates of Rs. 100,000 each)		-	45,000	45,000	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK - 1 YEAR VRR (17-04-2023) (certificates of Rs. 100,000 each)	5.1.1	-	2,130	-	2,130	213,142	213,121	(21)	4.84%	21.56%
GOP IJARA SUKUK - 1 YEAR VRR (22-05-2023) (certificates of Rs. 100,000 each)	5.1.1	-	5,000	-	5,000	497,167	500,333	3,166	11.35%	50.62%
GOP IJARA SUKUK - 1 YEAR FRR (22-05-2023) (certificates of Rs. 100,000 each)		-	250	250	-	-	-	-	0.00%	0.00%
GOP IJARA SUKUK - 1 YEAR FRR (26-06-2023) (certificates of Rs. 100,000 each)	5.1.1	-	1,500	-	1,500	150,000	150,000	-	3.40%	15.18%
GOP IJARA SUKUK - 1 YEAR VRR (26-06-2023) (certificates of Rs. 100,000 each)	5.1.1	-	1,250	-	1,250	125,000	125,000	-	2.84%	12.65%
<b>Total as at 30 June 2023</b>						<b>985,309</b>	<b>988,454</b>	<b>3,145</b>		
Total as at 30 June 2022						-	-	-		

**5.1.1** Significant terms and conditions of Sukuk Certificates outstanding at the year end are as follows:

Name of security	Number of Certificates	Repayment frequency	Unredeemed face value per Sukuk (Rupees)	Profit rate (per annum)	Issue date	Maturity date	Rating
<b>Sukuk Certificates</b>							
GOP IJARA SUKUK - 1 YEAR VRR (17-04-2023)	2,130	Semi Annual	100,000	6 Months T-Bill Weight Average Yeild plus 75bps	17-Apr-23	17-Apr-24	AAA
GOP IJARA SUKUK - 1 YEAR VRR (22-05-2023)	5,000	Semi Annual	100,000	6 Months T-Bill Weight Average Yeild plus 75bps	22-May-23	22-May-24	AAA
GOP IJARA SUKUK - 1 YEAR FRR (26-06-2023)	1,500	Semi Annual	100,000	21.2900%	26-Jun-23	26-Jun-24	AAA
GOP IJARA SUKUK - 1 YEAR VRR (26-06-2023)	1,250	Semi Annual	100,000	6 Months T-Bill Weight Average Yeild plus 65bps	26-Jun-23	26-Jun-24	AAA

**5.2 Gain on sale of Sukuk Certificates**

These includes gain on sale of Sukuk Certificates amounting to Rs. 17.236 million.

	2023 (Rupees in '000)	2022
<b>5.3 Net unrealized gain on revaluation of investments</b>		
Investment in Sukuk Certificates	3,145	-
	<b>2,617</b>	<b>-</b>

**6 PROFIT RECEIVABLE**

	2023	2022
Note	(Rupees in '000)	
Savings accounts	57,789	33,343
Term deposit receipt	7,791	131
Profit accrued on Sukuk Certificates	92,642	-
	<u>158,222</u>	<u>33,474</u>

**7 DEPOSIT AND OTHER RECEIVABLE**

Security deposit with Central Depository Company of Pakistan Limited (CDC)	100	100
Mutual Fund Rating Fee	108	-
Advance tax	7.1 34	9
	<u>242</u>	<u>109</u>

- 7.1** The income of the Fund is exempt from tax under clause 99 of Part I of the Second Schedule of the Income Tax Ordinance 2001 (ITO 2001). Further, the Fund is exempt under clause 47(B) of Part IV of Second Schedule of ITO 2001 from withholding of tax under section 150, 150A, 151 and 233 of ITO 2001. The Federal Board of Revenue ("FBR") through a circular "C.No.1 (43) DG (WHT)/ 2008-Vol.II- 66417-R" dated 12 May 2015 made it mandatory to obtain exemption certificates under section 159 (1) of the ITO 2001 from Commissioner Inland Revenue (CIR). For the advance tax withheld under section 151 of ITO 2001 in prior years, the management has applied to the FBR for refund and is confident that the same will be refunded in due course.

For this purpose, the Mutual Funds Association of Pakistan (MUFAP) on behalf of various mutual funds (including the Funds being managed by the Management Company) had filed a petition in the Honourable Sindh High Court (SHC) challenging the above mentioned interpretation of the Federal Board of Revenue (FBR) which was decided by the SHC in favour of FBR. On 28 January 2016, the Board of Directors of the Management Company passed a resolution by circulation, authorising all CISs to file an appeal in the Honourable Supreme Court through their Trustees, to direct all persons being withholding agents, including share registrars and banks to observe the provisions of clause 47B of Part IV of the Second Schedule to the Income Tax Ordinance, 2001 without imposing any conditions at the time of making any payment to the CISs being managed by the Management Company. Accordingly, a petition was filed in the Supreme Court of Pakistan by the Fund together with other CISs (managed by the Management Company and other Asset Management Companies) whereby the Supreme Court granted the petitioners leave to appeal from the initial judgement of the SHC. Pending resolution of the matter, the amount of withholding tax deducted on profit received on bank deposits by the Fund has been shown as advance tax as at 30 June 2023 as, in the opinion of the management, the amount of tax deducted at source will be refunded.

**8 PRELIMINARY EXPENSES AND FLOATATION COSTS**

	2023	2022
Note	(Rupees in '000)	
Preliminary expenses and floatation costs incurred	8.1 663	701
Amortization for the year	(70)	(38)
Balance as at 30 June 2023	<u>593</u>	<u>663</u>

- 8.1** This represents expenses incurred on the formation of the Fund. The said expenses are being amortised over a period of ten Periods effective from 20 December 2021.

**9 ACCRUED EXPENSES AND OTHER LIABILITIES**

	2023	2022
	(Rupees in '000)	
Auditors' remuneration	543	252
Preliminary expenses and floatation costs	585	585
Initial deposits for opening of bank accounts	50	50
Withholding tax	10,703	732
Brokers Payable	49	-
Others	96,961	-
	<u>108,891</u>	<u>1,619</u>

**10 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at 30 June 2023 (30 June 2022: Nil).

**11 PROFIT ON BANK DEPOSITS**

Savings Accounts	11.1 <u>309,119</u>	<u>93,111</u>
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- 11.1** This includes profit on bank deposits with Bank AL Habib Limited, a related party (ultimate parent) of Rs. 101.069 million (30 June 2022: Rs. 18.515 million).

**12 PAYABLE / REMUNERATION OF AL HABIB ASSET MANAGEMENT LIMITED - MANAGEMENT COMPANY**

As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the Fund. The Management has charged its remuneration at rate ranging from 0% to 10% (30 June 2022: 0% to 10%) of the gross earnings of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

12.1 Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the management company's remuneration charged during the year.

### 13 EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY

In accordance with the provisions of the NBFC Regulations amended vide S.R.O 1160(I) / 2015 dated 25 November 2015, the Management Company is entitled for reimbursement of fee and expenses in relation to registrar services, accounting, operation and valuation services related to Collective Investment Scheme (CIS).

During the year, Management Company has charged Rs. 4.889 million (30 June 2022: Rs. 1.513 million) to the Fund.

### 14 PAYABLE / REMUNERATION TO CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED - TRUSTEE

The Trustee is entitled to a remuneration for services rendered to the Fund under the provisions of the Trust Deed based on the daily Net Asset Value of the Fund. The remuneration of the Trustee is fixed at 0.075% (30 June 2022: 0.075%) per annum of net assets.

14.1 Sindh Sales Tax has been charged at 13% (30 June 2022: 13%) on the Trustee's remuneration charged during the year.

### 15 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN (SECP)

This represents annual fee payable to Securities and Exchange Commission of Pakistan (SECP) at 0.02% of net assets in accordance with regulation 62 of the NBFC Regulations and pursuant to S.R.O 685(I) 2019, dated 28 June 2019.

	2023	2022
	(Rupees in '000)	
16 AUDITOR'S REMUNERATION		
Audit fee	215	173
Out of pocket expenses	53	26
Half yearly review fee	189	95
Shariah Compliance fee	110	60
	<u>567</u>	<u>354</u>

### 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, provided that for the purpose of determining distribution of not less than 90% of its accounting income for the year, the income distributed through bonus units shall not be taken into account. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the Fund is required to distribute 90% of the net accounting income other than capital gains to the unit holders. The Fund is also exempt from the provisions of Section 113 (minimum tax) under Clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly, no provision for taxation has been made in these financial statements.

### 18 EARNINGS PER UNIT

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

### 19 TRANSACTIONS AND BALANCES WITH CONNECTED PERSONS / RELATED PARTIES

Connected persons / related parties include:

S.No	Company Name	Relationship
1	AL Habib Asset Management Limited	Management Company
2	Bank AL Habib Limited	Parent Company of AL Habib Asset Management Limited
3	AL Habib Capital Market (Private) Limited	Subsidiary of Bank AL Habib Limited
4	AL Habib Asset Allocation Fund	Managed by AL Habib Asset Management Limited
5	AL Habib Islamic Income Fund	Managed by AL Habib Asset Management Limited
6	AL Habib Islamic Stock Fund	Managed by AL Habib Asset Management Limited
7	AL Habib Stock Fund	Managed by AL Habib Asset Management Limited
8	AL Habib Cash Fund	Managed by AL Habib Asset Management Limited
9	AL Habib Money Market Fund	Managed by AL Habib Asset Management Limited
10	AL Habib Islamic Cash Fund	Managed by AL Habib Asset Management Limited
11	AL Habib Income Fund	Managed by AL Habib Asset Management Limited
12	AL Habib Fixed Return Fund	Managed by AL Habib Asset Management Limited
13	AL Habib Islamic Munafa Fund	Managed by AL Habib Asset Management Limited
14	AL Habib Pension Fund	Managed by AL Habib Asset Management Limited
15	AL Habib Islamic Pension Fund	Managed by AL Habib Asset Management Limited
16	Central depository Company	Trustee

Related parties includes directors and officers of the above entities as at 30 June 2023 and staff retirement benefit funds of the above companies.

The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with regulatory requirements and as agreed between the parties.



For the period  
from 20  
December 2021  
to 30 June 2022

(Rupees in '000)

**AL Habib Asset Management Limited - Management Company**

- Management company remuneration	23,462	2,461
- Sindh sales tax	3,050	320
- Expense allocated by the Management Company	4,889	1,513
- Dividend paid	15,292	1,284

**Bank AL Habib Limited**

- Profit on bank deposits	101,069	18,515
- Dividend paid	15,362	9,591

**Central Depository Company of Pakistan Limited - Trustee**

- Remuneration to the Trustee	2,590	567
- Sindh sales tax	337	74

Details of balances with connected persons at year end are as follows:

**AL Habib Asset Management Limited - Management Company**

- Management Fee payable (Inclusive of Sindh sales tax)	4,571	1,247
- Formation cost payable	585	585
- Initial deposit payable	50	50

**Bank AL Habib Limited**

- Bank balance	1,846,400	1,732,714
- Profit receivable	2,188	15,371

**Central Depository Company of Pakistan Limited - Trustee**

- Remuneration payable (Inclusive of Sindh sales tax)	390	178
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**19.1 Sale / Redemption of units**

	2023		For the period from 20 December 2021 to 30 June 2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Units sold to:</b>				
<i>Management Company</i>				
- AL Habib Asset Management Limited	13,283,582	1,335,904	6,140,952	614,095
<i>Parent of AL Habib Asset Management Limited</i>				
- Bank AL Habib Limited	746	7,464	9,095,908	909,591
<i>Other related parties</i>				
Directors & their relatives of the Management Company	442,875	44,707	-	-
Habib Asset Management Limited Employees Provident Fund	73,143	7,354	-	-
Key Management executives & their relatives of the Management Company	31,351	3,166	-	-
<b>Connected Party holding 10% or more of the units in issue:</b>	24,324,751	2,508,794	25,608,352	2,560,835
<b>Units redeemed by:</b>				
<i>Management Company</i>				
- AL Habib Asset Management Limited	13,284,232	1,334,077	6,140,952	614,095
<i>Parent of AL Habib Asset Management Limited</i>				
- Bank AL Habib Limited	6,085,976	608,601	2,050,432	205,043
<i>Other related parties</i>				
Directors & their relatives of the Management Company	30,271	3,047	-	-
Habib Asset Management Limited Employees Provident Fund	73,143	7,424	-	-
Key Management executives & their relatives of the Management Company	4,776	480	-	-
<b>Connected Party holding 10% or more of the units in issue:</b>	19,165,059	1,916,506	399,239	39,924



**19.2 Units held by:**

	2023		2022	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
<b>Parent of Al Habib Asset Management Limited</b>				
- Bank AL Habib Limited	<u>960,246</u>	<u>103,411</u>	<u>7,045,476</u>	<u>704,548</u>
<b>Other related parties</b>				
Directors & their relatives of the Management Company	<u>412,604</u>	<u>41,660</u>	<u>-</u>	<u>-</u>
Key Management executives & their relatives of the Management Company	<u>26,575</u>	<u>2,686</u>	<u>-</u>	<u>-</u>
<b>Connected Party holding 10% or more of the units in issue:</b>	<u>20,043,582</u>	<u>2,012,732</u>	<u>25,209,113</u>	<u>2,520,911</u>

**20 TOTAL EXPENSE RATIO (TER)**

TER of the Fund for the year ended 30 June 2023 is 1.04% which includes 0.12% representing Government levies and SECP fee. This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

**21 FINANCIAL RISK MANAGEMENT**
**Introduction and overview**

The Fund has exposure to following risks from its use of financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

This note presents information about the Fund's exposure to each of the above risks, the Fund's objectives, policies and processes for measuring and managing risk, and the Fund's management of capital.

**Risk management framework**

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

The management of these risks is carried out by the Investment Committee (IC) under the policies and procedures approved by the Board. IC is constituted by the Board of Directors of the Management Company. IC is responsible to devise the investment strategy and manage the investment portfolio of the Fund in accordance with the limits prescribed and restrictions imposed in the NBFC Regulations, NBFC Rules and constitutive documents of the Fund in addition to the Fund's internal risk management policies.

**21.1 Credit risk**

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment that it has entered into with the Fund, resulting in a financial loss to the Fund. At the year end it arises principally from bank balances, income receivables and deposits etc.

**Management of credit risk**

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed, the requirements of NBFC rules and regulations and guidelines given by SECP from time to time.

Credit risk is managed and controlled by the Management Company of the Fund in the following manner:

- Where the investment committee makes an investment decision, the credit rating and credit worthiness of the issuer is taken into account along with the financial background so as to minimise the risk of default.
- Investment transactions are carried out with a large number of brokers, whose credit rating is taken into account so as to minimise the risk of default and transactions are settled or paid for only upon delivery.
- The risk of counterparty exposure due to failed trades causing a loss to the Fund is mitigated by a periodic review of trade reports, credit ratings and financial statements on a regular basis. In addition, the Investment Committee approves the trading of securities of entities with credit ratings approved by external rating agencies.

**Exposure to credit risk**

In summary, compared to the maximum amount included in Statement of Assets and Liabilities, the maximum exposure to credit risk as at year end is as follows:

	2023		2022	
	Statement of assets and liabilities	Maximum exposure	Statement of assets and liabilities	Maximum exposure
	----- (Rupees in '000) -----		----- (Rupees in '000) -----	
Bank balances and Term deposit receipt	3,374,402	3,374,402	3,311,222	3,311,222
Investments	988,454	-	-	-
Profit receivable	158,222	158,222	33,474	33,474
Deposit and other receivables	242	100	109	100
Preliminary expenses and floatation costs	593	-	663	-
	<u>4,521,913</u>	<u>3,532,724</u>	<u>3,345,468</u>	<u>3,344,796</u>

#### Credit ratings and Collaterals

Details of the credit ratings of balances with the banks (including profit receivable) as at year end are as follows:

Ratings	2023 (Percentage)	2022 (Percentage)
A+ to AA+	26.42%	47.73%
AAA	73.59%	52.27%
	<u>100.00%</u>	<u>100.00%</u>

Cash is held only with reputable banks with high quality external credit enhancements.

#### Concentration of credit risk

Concentration is the relative sensitivity of the Fund's performance to developments affecting a particular industry or geographical location. Concentration of risks arise when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. The Fund's portfolio of financial assets is broadly diversified and transactions are entered into with diverse credit risk worthy counterparties thereby mitigating any significant concentration of credit risk.

#### Past due and impaired assets

None of the financial assets of the Fund are past due / impaired as at 30 June 2023.

#### 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 an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed.

For the vast majority of transactions the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

### 21.2 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligation will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to cash redemptions of its units on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by Securities and Exchange Commission of Pakistan (SECP).

#### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of Trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

#### **Maturity analysis of financial liabilities**

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.

The maturity profile of the Fund's financial liabilities based on contractual maturities is given below:

	2023			
	Carrying amount	Less than one month	One month to three months	Three months to one year
<b>Non - derivative financial liabilities</b>	<b>(Rupees in '000)</b>			
Payable to AL Habib Asset Management Limited - Management Company	4,571	4,571	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	390	390	-	-
Accrued expenses and other liabilities	98,188	96,961	592	635
	<b>103,149</b>	<b>101,922</b>	<b>592</b>	<b>635</b>
Unit holders' Fund	<b>4,407,360</b>	<b>4,407,360</b>	<b>-</b>	<b>-</b>
<b>2022</b>				
	Carrying amount	Less than one month	One month to three months	Three months to one year
<b>Non - derivative financial liabilities</b>	<b>(Rupees in '000)</b>			
Payable to AL Habib Asset Management Limited - Management Company	1,247	1,247	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	178	178	-	-
Accrued expenses and other liabilities	887	-	252	635
	<b>2,312</b>	<b>1,425</b>	<b>252</b>	<b>635</b>
Unit holders' Fund	<b>3,342,273</b>	<b>3,342,273</b>	<b>-</b>	<b>-</b>

### **21.3 Market risk**

Market risk is the risk that the value of the financial instrument may fluctuate as a result of changes in market interest rates or the market price of securities due to a change in credit rating of the issuer or the instrument, change in market sentiments, speculative activities, supply and demand of securities and liquidity in the market.

#### **Management of Market Risk**

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee and regulations laid down by the Securities and Exchange Commission of Pakistan (SECP). The maximum risk resulting from financial instruments equals their fair value.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk. The Fund is exposed to interest rate risk only.

### **21.4 Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Majority of the interest rate exposure arises on investment in Government Securities and savings bank accounts. Currently the exposure in fixed rate instruments is in Government securities, commercial papers and placements. Other risk management procedures are the same as those mentioned in the credit risk management.

At year end, details of the interest rate profile of the Fund's interest bearing financial instruments were as follows:

	2023 (Rupees in '000)	2022
<b>Fixed rate instruments</b>		
Term deposit receipt	400,000	100,000
Investments	150,000	-
	<u>550,000</u>	<u>100,000</u>
<b>Variable rate instruments</b>		
Bank balances	2,974,402	3,211,222
Investments	838,454	-
	<u>3,812,856</u>	<u>3,211,222</u>

None of the financial liabilities carry any interest rate risk.

**a) Fair value sensitivity analysis for fixed rate instruments**

As at 30 June 2023, investment in Term deposit receipts exposes the Fund to fair value interest rate risk. In case of 100 basis points increase / decrease in PKRV on 30 June 2023, the net assets of the Fund would have been lower/ higher by Rs. 5.5 million (30 June 2022: Rs. 1 million) with consequential effect on net income for the year. The analysis assumes that all other variables remain constant.

**b) Cash flow sensitivity analysis for variable rate instruments**

A change of 100 basis points in interest rates at the year end would have increased / (decreased) the net assets and net income by 39.129 Million (30 June 2022: Rs. 32.112 million), assuming all other variables held constant.

A summary of the Fund's interest rate gap position, categorised by the earlier of contractual re-pricing or maturity date, is as follows:

		2023					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one year	One year and above	Not exposed to profit rate risk	Total
----- (Rupees in '000) -----							
<i>On-balance sheet financial instrument</i>							
Bank balances & Term deposit receipt	18.00%-20.50%	3,374,402	-	-	-	-	3,374,402
Investments	20.00% - 22.00%		-	988,454	-	-	988,454
Profit receivable		-	-	-	-	158,222	158,222
Deposit		-	-	-	-	100	100
<b>Total financial assets</b>		<b>3,374,402</b>	<b>-</b>	<b>988,454</b>	<b>-</b>	<b>158,322</b>	<b>4,521,178</b>
<i>Financial Liabilities</i>							
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	-	4,571	4,571
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	390	390
Accrued expenses and other liabilities		-	-	-	-	98,188	98,188
<b>Total assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>103,149</b>	<b>103,149</b>

		2022					
	Mark-up / profit rate	Less than one month	One to three months	Three months to one Year	One Year and above	Not exposed to profit rate risk	Total
<div>(Rupees in '000)</div>							
<i>On-balance sheet financial instrument</i>							
Bank balances & Term deposit receipt	14.75%-16.20%	3,311,222	-	-	-	-	3,311,222
Profit receivable		-	-	-	-	33,474	33,474
Deposit		-	-	-	-	100	100
<b>Total financial assets</b>		<b>3,311,222</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>33,574</b>	<b>3,344,796</b>
<i>Financial Liabilities</i>							
Payable to AL Habib Asset Management Limited - Management Company		-	-	-	-	1,247	1,247
Payable to Central Depository Company of Pakistan Limited - Trustee		-	-	-	-	178	178
Accrued expenses and other liabilities		-	-	-	-	887	887
<b>Total assets</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,312</b>	<b>2,312</b>

## 21.5 Unit Holders' Fund risk management

Management's objective when managing Unit holders' Fund is to safe guard the Fund's ability to continue as a going concern so that it can continue to provide optimum return to its unit holders and to ensure reasonable safety of Unit holders' Fund. The Management Company manages Fund's investment portfolio and other assets by monitoring return on net assets and makes adjustments to it in the light of changes in markets' conditions.

Under the NBFC regulations, the minimum size of an open end scheme shall be one hundred million rupees at all the times during the life of the scheme. The Fund size depends on the issuance and redemption of units.

## 22 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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.

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

The fair value of financial assets and liabilities traded in active markets i.e. listed equity shares are based on the quoted market prices at the close of trading on the year end date. The quoted market prices used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Fair value measurements using quoted price (unadjusted) in an active market for identical assets or liabilities traded.
- Level 2: Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Fair value measurement using inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

30 June 2023	Note	Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
Financial assets - not measured at fair value	22.1								
Saving accounts	4.1	-	2,974,402	-	2,974,402	-	-	-	-
Term deposit receipt	4.2	-	400,000	-	400,000	-	-	-	-
Investment		988,454			988,454		988,454		988,454
Profit receivable	6	-	158,222	-	158,222	-	-	-	-
Deposit	7	-	100	-	100	-	-	-	-
		988,454	3,532,724	-	4,521,178	-	988,454	-	988,454
Financial liabilities - not measured at fair value	22.1								
Payable to AL Habib Asset Management Limited - Management Company	12	-	-	4,571	4,571	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	14	-	-	390	390	-	-	-	-
Accrued expenses and other liabilities	9	-	-	98,188	98,188	-	-	-	-
		-	-	103,149	103,149	-	-	-	-
30 June 2022	Note	Carrying amount				Fair value			
		At fair value through profit or loss	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
		(Rupees in '000)							
Financial assets - not measured at fair value	22.1								
Saving accounts	4.1	-	3,211,222	-	3,211,222	-	-	-	-
Term deposit receipt	4.2	-	100,000	-	100,000	-	-	-	-
Profit receivable	6	-	33,474	-	33,474	-	-	-	-
Deposit	7	-	100	-	100	-	-	-	-
		-	3,344,796	-	3,344,796	-	-	-	-
Financial liabilities - not measured at fair value	22.1								
Payable to AL Habib Asset Management Limited - Management Company	12	-	-	1,247	1,247	-	-	-	-
Payable to Central Depository Company of Pakistan Limited - Trustee	14	-	-	178	178	-	-	-	-
Accrued expenses and other liabilities	9	-	-	887	887	-	-	-	-
		-	-	2,312	2,312	-	-	-	-

22.1 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 23 PATTERN OF UNITHOLDING

Unit holding pattern of the Fund as at 30 June 2023 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	80	10,546,800	1,059,086	24.03%
Associated Companies and Directors	18	1,438,557	144,457	3.28%
Retirement Funds	1	16,256,113	1,620,224	36.76%
Others	7	15,648,761	1,583,594	35.93%
	<u>106</u>	<u>43,890,231</u>	<u>4,407,361</u>	<u>100.00%</u>

Unit holding pattern of the Fund as at 30 June 2022 is as follows:

Category	Number of unit holders	Number of units	Investment amount (Rupees in '000)	Percentage of total investment
Individuals	22	832,940	83,294	2.49%
Associated Companies and Directors	2	7,045,476	704,548	21.08%
Retirement Funds	3	309,590	30,959	0.93%
Others	5	25,234,727	2,523,472	75.50%
	32	33,422,733	3,342,273	100.00%

**24 FINANCIAL INSTRUMENTS BY CATEGORY**

	30 June 2023		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	2,974,402	-	2,974,402
Term deposit receipt	400,000	-	400,000
Investment	-	988,454	988,454
Profit receivable	158,222	-	158,222
Deposit	100	-	100
	<u>3,532,724</u>	<u>988,454</u>	<u>4,521,178</u>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	4,571	-	4,571
Payable to Central Depository Company of Pakistan Limited - Trustee	390	-	390
Accrued expenses and other liabilities	98,188	-	98,188
	<u>103,149</u>	<u>-</u>	<u>103,149</u>
	30 June 2022		
	At Amortised cost	At fair value through profit or loss	Total
	(Rupees in '000)		
<b>Financial Assets</b>			
Bank balances	3,211,222	-	3,211,222
Term deposit receipt	100,000	-	100,000
Profit receivable	33,474	-	33,474
Deposit	100	-	100
	<u>3,344,796</u>	<u>-</u>	<u>3,344,796</u>
<b>Financial liabilities</b>			
Payable to AL Habib Asset Management Limited - Management Company	1,247	-	1,247
Payable to Central Depository Company of Pakistan Limited - Trustee	178	-	178
Accrued expenses and other liabilities	887	-	887
	<u>2,312</u>	<u>-</u>	<u>2,312</u>

**25 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER**

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

Name	Designation	Qualification	Experience
Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA-Affiliate	23
Mr. Ahmed Abbas	Fund Manager	MCS & MBA	15
Mr. Muhammad Tahir	Risk Officer	BBA	6



**25.1** Mr. Ahmed Abbas is also Fund Manager of AL Habib Cash Fund, AL Habib Money Market Fund, AL Habib Income Fund, AL Habib Islamic Cash Funds, AL Habib Islamic Income Fund, AL Habib Fixed Return Fund and AL Habib Islamic Munafa Fund.

**26 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS**

The 95th, 96th, 97th and 98th board meetings were held on 29 August 2022, 28 October 2022, 09 February 2023, and 13 April 2023 respectively.

Information in respect of attendance by Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting(s) not attended
	Held	Attended	Leave Granted	
Mr. Abbas D.Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	0	-
Mr. Saeed Allawala	4	4	0	-
Ms. Zarine Aziz	4	3	1	96th Meeting
Mr. Imran Azim	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi	4	4	0	-

**27 GENERAL**

**27.1** Corresponding figures have been reclassifications or re-arranged in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant reclassifications or reclassifications have been made in these financial statements during the current year.

**27.1.1** Corresponding figures are for the period from 20th December 2021 to 30th June 2022 and therefore are not comparable with the current year figures.

**28 DATE OF AUTHORIZATION FOR ISSUE**

**28.1** These financial statements were authorised for issue by the board of directors of the Management Company on **17 August, 2023.**

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Fund Objective

The investment objective of AHISAVF is to provide competitive risk adjusted returns to its investors by investing in a diversified portfolio of long, medium and short term Shariah Compliant debt instruments while taking into account liquidity considerations.

### Fund Objective Achieved:

The Fund has achieved its stated objective.

### Performance Review:

The return of the fund for FY23 was 16.12%.

### Strategies and Policies Employed during the period under review:

The AHISAVF maintained strategy to get exposure in broadly diversified portfolio of high quality shariah complaint fixed and floater rate instrument. Such investments include Shariah Complaint Government securities (GOP Ijarah Sukuk), Banks Deposits/Placements and Corporate Sukuks.

### Fund Description

<b>Fund Type &amp; Category</b>	Open ended - Shariah Compliant Income Scheme	<b>External Auditors</b>	EY Ford Rhodes & Co. Chartered Accountants
<b>Launch Date</b>	December 20, 2021	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	Average of the six months profit rates of three Islamic Banks/ licensed Islamic Banking window of conventional banks having long term credit of A or higher, as selected by MUFAP	<b>Sales Load</b>	3% (Management has the discretion to reduce or waive load on any transaction)
<b>Pricing Mechanism</b>	Backward Pricing	<b>Minimum Investment</b>	Rs. 5,000
<b>AMC Rating</b>	"AM2+" by PACRA	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AA (f)" by PACRA
<b>Risk Profile</b>	Medium (Principal at medium risk)		

### Market Review:

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63
3 Years	19.47	13.45	6.02
5 Years	16.08	12.93	3.15

Policy Rate		
Date	Policy Rate	Change (Bps)
July 13, 2022	15	125
November 28, 2022	16	100
January 24, 2023	17	100
March 3, 2023	20	300
April 5, 2023	21	100
June 27, 2023	22	100

**Asset Allocation of Fund**

Particulars	As at June 30, 2023	As at June 30, 2022
Cash	64.00%	95.99%
TDR	8.97%	2.99%
GoP Ijarah Sukuk	21.70%	-
Others	5.33%	1.02%

**Breakdown of Unit Holdings by Size:**

Size of Unit Holding (Units)	# of Unit Holders
1-5000	24
5001-50000	34
50001-500000	31
500001-5000000	15
5000000-100000000	1
<b>Total</b>	<b>105</b>

**Income Distribution**

AHISAVF made a total distribution of Rs. 14.63 during FY23 in the form of dividend. EX-NAV of the fund after each dividend becomes Rs. 100

**During the period under question:**

There has been no significant change in the state of affairs of the Fund. Al Habib Islamic Savings Fund does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During the period, 332,954,888 units valued Rs. 33.87 Bn. were sold while 161,978,126 units valued Rs. 16.6 Bn. were redeemed resulting in to a net sale of 170,976,762 units valued Rs. 17.26 Bn.

**Unit Holder Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

## AL HABIB ISLAMIC SAVINGS FUND

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### Fund Performance at a Glance

	2023	2022
Net Assets as at June 30 (Rs. in Bn.)	4.407	3,342
NAV per unit as at June 30 (Rs. )	100.4178	100.00
Distribution during the year ended June 30 (Rs. )	14.63	5.7879
Annual Return	16.12%	11.35%
Benchmark	6.06%	3.49%

### Disclosure:

There are no material circumstances affecting unit holder interests.

**AL HABIB FIXED RETURN FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION****Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

BDO Ebrahim & Co.  
Lakson Square Building No. 1, 9th Floor,  
Block C Sarwar Shaheed Rd, Civil Lines,  
Karachi, Karachi City, Sindh 74200

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4,  
Block 9, Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S,

**Rating**

AM2+ Management Company Quality  
Rating Assigned by PACRA.

Main Shahra-e-Faisal, Karachi.

**Bankers to the Fund**

Bank AL Habib Limited  
Allied Bank Limited  
Habib Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED****Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)

Email: [info@cdcpak.com](mailto:info@cdcpak.com)

**TRUSTEE REPORT TO THE UNIT HOLDERS****AL HABIB FIXED RETURN FUND****Report of the Trustee pursuant to Regulation 41(h) and Clause 8 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 AL Habib Fixed Return Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from March 15, 2023 to June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023







Tel: +92 21 3568 3030  
Fax: +92 21 3568 4239  
www.bdo.com.pk

2nd Floor, Block-C  
Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AL HABIB FIXED RETURN FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Al Habib Fixed Return Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the period then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key Audit Matters

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

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<b>Existence and valuation of investments</b>  As disclosed in note 6 to the financial statements of the Fund for the period ended June 30, 2023, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs. 3,573.14 million representing 99.99% of the net assets value of the Fund.	Our audit procedures included the following: <ul style="list-style-type: none"> <li>We evaluated the design and implementation of key controls of Investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on period-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("Al Habib Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

The Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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





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

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

#### Report on other legal and regulatory requirements

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: August 28, 2023

UDIN: AR202310166xPhYvQyp1

**BDO EBRAHIM & CO.**  
CHARTERED ACCOUNTANTS

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

	AH-FRF Plan 1	AH-FRF Plan 2	AH-FRF Plan 3	AH-FRF Plan 4	AH-FRF Plan 5	AH-FRF Plan 6	Total
Note ----- Rupees in '000 -----							
<b>ASSETS</b>							
Bank balances	11,614	4,433	1,112	912	743	875	19,689
Investments	-	-	1,054,833	667,942	744,126	1,106,239	3,573,140
Profit/Markup receivable on bank deposits	1,801	1,457	774	573	180	2,266	7,050
<b>TOTAL ASSETS</b>	<b>13,415</b>	<b>5,890</b>	<b>1,056,719</b>	<b>669,427</b>	<b>745,049</b>	<b>1,109,380</b>	<b>3,599,879</b>
<b>LIABILITIES</b>							
Payable to the Management Company	6,234	2,426	2,411	509	-	-	11,580
Payable to the Trustee	243	67	105	1	15	19	450
Payable to Securities and Exchange							
Commission of Pakistan	78	6	28	-	5	6	123
Accrued expenses and other liabilities	6,860	3,391	3,507	445	295	-	14,498
<b>TOTAL LIABILITIES</b>	<b>13,415</b>	<b>5,890</b>	<b>6,051</b>	<b>955</b>	<b>315</b>	<b>25</b>	<b>26,651</b>
<b>NET ASSETS</b>	<b>-</b>	<b>-</b>	<b>1,050,668</b>	<b>668,472</b>	<b>744,734</b>	<b>1,109,355</b>	<b>3,573,228</b>
<b>UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)</b>							
	-	-	1,050,668	668,472	744,734	1,109,355	3,573,228
<b>CONTINGENCIES AND COMMITMENTS</b>							
11 ----- Numbers -----							
Number of units in issue	-	-	10,487,748	6,684,717	7,447,340	11,084,277	
----- Rupees -----							
Net assets value per unit at end of the period	-	-	100.18	100.00	100.00	100.08	

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

**Chief Executive Officer**

**Chief Financial Officer**

**Director**

# INCOME STATEMENT

## FOR THE YEAR ENDED JUNE 30, 2023

	For the period from March 15, 2023 to June 02, 2023	For the period from March 28, 2023 to June 16, 2023	For the period from May 02, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	Total
	AH-FRF Plan 1	AH-FRF Plan 2	AH-FRF Plan 3	AH-FRF Plan 4	AH-FRF Plan 5	AH-FRF Plan 6
Rupees in '000						
<b>Income</b>						
Capital (loss) / gain on sale of investments - net	(1)	13	27	-	-	(90)
Income from government securities	80,570	27,804	37,853	3,350	4,556	6,217
Mark-up on bank deposits	1,801	1,457	774	573	180	2,266
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	82,370	29,274	38,654	3,923	4,736	8,393
						167,350
6	82,370	29,274	(363)	(503)	(2,749)	(8,795)
						(12,410)
						154,941
<b>Expenses</b>						
Remuneration of the Management Company	4,538	1,762	2,132	300	-	-
Sindh Sales Tax on remuneration of the Management Company	589	229	277	39	-	-
Remuneration to the Trustee	215	59	93	1	14	17
Sindh Sales Tax on remuneration to the Trustee	27	8	12	-	2	2
Annual fee to the Securities and Exchange Commission of Pakistan	78	6	28	0	5	6
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,105	434	-	169	-	-
Brokerage expense	-	36	11	10	-	-
Auditors' remuneration	87	-	-	-	-	-
Bank charges	6	7	3	-	-	-
	6,646	2,541	2,555	519	21	25
Net income for the period before taxation	75,724	26,733	35,736	2,902	1,967	(427)
Taxation	-	-	-	-	-	-
Net income for the period after taxation	75,724	26,733	35,736	2,902	1,967	(427)
						142,633
<b>Allocation of net income for the period</b>						
Income already paid on redemption of units	59,640	13,224	32,438	-	-	-
						105,303
Accounting income available for distribution						
Relating to capital (loss) / gain	(1)	13	27	-	-	(90)
Excluding capital gains	16,084	13,496	3,298	2,902	1,967	(337)
	16,083	13,509	3,325	2,902	1,967	(427)
	75,723	26,733	35,763	2,902	1,967	(427)
						142,633
Earnings per unit						

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

**For AL Habib Asset Management Limited**  
(Management Company)

Chief Executive Officer

Chief Financial Officer

Director

**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from March 15, 2023 to June 02, 2023	For the period from March 28, 2023 to June 16, 2023	For the period from May 02, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	Total
	AH-FRF Plan 1	AH-FRF Plan 2	AH-FRF Plan 3	AH-FRF Plan 4	AH-FRF Plan 5	AH-FRF Plan 6
----- Rupees in '000 -----						
Net income for the period after taxation	75,724	26,733	35,736	2,902	1,967	(427)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income for the period	<u>75,724</u>	<u>26,733</u>	<u>35,736</u>	<u>2,902</u>	<u>1,967</u>	<u>(427)</u>
						<u>142,635</u>

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

**Chief Executive Officer**

**Chief Financial Officer**

**Director**



**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	AH-FRF Plan 1			AH-FRF Plan 2			AH-FRF Plan 3			AH-FRF Plan 4			AH-FRF Plan 5			AH-FRF Plan 6		
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total
For the period from March 15, 2023 to June 30, 2023	5,077,190	-	5,077,190	827,668	-	827,668	2,155,996	-	2,155,996	668,472	-	668,472	744,734	-	744,734	1,104,428	-	1,104,428
For the period from June 15, 2023 to June 30, 2023	92,752	-	92,752	27,213	-	27,213	31,552	-	31,552	2,306	-	2,306	215	-	215	1,354	-	1,354
	5,169,942	-	5,169,942	855,881	-	855,881	2,187,548	-	2,187,548	670,778	-	670,778	744,949	-	744,949	1,105,782	-	1,105,782
Issuance of 106,244,139 units	(5,100,237)	-	(5,100,237)	(846,848)	-	(846,848)	(1,107,221)	-	(1,107,221)	-	-	-	-	-	-	-	-	-
Capital value (at net asset value per unit at the beginning of the period)	(4,289)	(59,640)	(65,929)	44,778	(13,224)	(18,002)	(1,079)	(32,438)	(33,517)	-	-	-	-	-	-	-	-	-
Element of income	(5,105,026)	(59,640)	(5,164,666)	(850,226)	(13,224)	(863,450)	(1,108,300)	(32,438)	(1,140,738)	-	-	-	-	-	-	-	-	-
Total proceeds on issuance of units	-	75,724	75,724	-	26,733	26,733	-	35,736	35,736	-	-	-	-	-	-	-	-	-
Redemption of 70,540,657 units	(64,910)	(16,084)	(81,000)	(4,255)	(13,509)	(17,764)	(30,462)	(14,416)	(44,878)	(2,306)	(2,902)	(5,208)	(215)	(1,967)	(2,182)	-	-	-
Capital value (at net asset value per unit at the beginning of the period)	(64,910)	(16,084)	(81,000)	(4,255)	(13,509)	(17,764)	(30,462)	(14,416)	(44,878)	(2,306)	(2,902)	(5,208)	(215)	(1,967)	(2,182)	-	-	-
Element of loss	(64,910)	(16,084)	(81,000)	(4,255)	(13,509)	(17,764)	(30,462)	(14,416)	(44,878)	(2,306)	(2,902)	(5,208)	(215)	(1,967)	(2,182)	-	-	-
Total comprehensive income for the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Distribution during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets at end of the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Accounting income available for distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Relating to capital (loss) / gain	16,084	-	16,084	13,496	-	13,496	3,325	-	3,325	2,902	-	2,902	1,967	-	1,967	-	-	-
Excluding capital gains	(16,084)	-	(16,084)	(13,496)	-	(13,496)	(14,416)	-	(14,416)	(2,902)	-	(2,902)	(1,967)	-	(1,967)	-	-	-
Distributions during the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed income / (loss) carried forward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Undistributed income / (loss) carried forward	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Realised income / (loss)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Unrealised (loss) / income	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net assets value per unit at end of the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

**Chief Executive Officer**

**Chief Financial Officer**

**Director**

**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from March 15, 2023 to June 02, 2023	For the period from March 28, 2023 to June 16, 2023	For the period from May 02, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	Total
	AH-FRF Plan 1	AH-FRF Plan 2	AH-FRF Plan 3	AH-FRF Plan 4	AH-FRF Plan 5	AH-FRF Plan 6
Rupees in '000						
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Net income for the period before taxation	75,724	26,733	35,736	2,902	1,967	142,634
Adjustments for:						
Mark-up on bank deposits	(1,801)	(1,457)	(774)	(573)	(180)	(7,051)
Income from government securities	(80,570)	(27,804)	(37,853)	(3,350)	(4,556)	(160,350)
Unrealised diminution on re-measurement of investments classified as 'fair value through profit or loss' - net	-	-	363	503	2,749	12,410
	(6,647)	(2,528)	(2,528)	(518)	(20)	(12,356)
<b>Increase in assets</b>	-	-	(1,055,196)	(668,445)	(746,875)	(3,585,550)
Investments - net	-	-	(1,055,196)	(668,445)	(746,875)	(3,585,550)
<b>Increase in liabilities</b>						
Payable to the Management Company	6,234	2,426	2,411	509	-	11,580
Payable to the Trustee	243	67	105	1	15	450
Payable to Securities and Exchange Commission of Pakistan	78	6	28	-	5	123
Accrued expenses and other liabilities	6,860	3,391	3,507	445	295	14,498
	13,415	5,890	6,051	955	315	26,651
Income from government securities	80,570	27,804	37,853	3,350	4,556	160,350
Net cash flows (used in) / from operating activities	87,338	31,166	(1,013,820)	(664,658)	(742,024)	(3,410,905)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>						
Receipts from issue of units	5,169,942	855,081	2,187,548	670,778	744,949	10,738,080
Payment against redemption of units	(5,164,666)	(864,050)	(1,140,738)	-	-	(7,169,454)
Distribution made during the period	(81,000)	(17,764)	(31,878)	(5,208)	(2,182)	(138,032)
Net cash flows from / (used in) financing activities	(75,724)	(26,733)	1,014,932	665,570	742,767	3,430,594
Net increase in cash and cash equivalents during the period	11,614	4,433	1,112	912	743	19,689
Cash and cash equivalents at the beginning of the period	-	-	-	-	-	-
Cash and cash equivalents at the end of the period	11,614	4,433	1,112	912	743	19,689

5

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

Chief Executive Officer

Chief Financial Officer

Director

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2023

### 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 Al Habib Fixed Return Fund (the Fund) was established under a Trust Deed executed between Al Habib Asset Management Limited as the Management Company, and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/AMCW/AHFRF/7/2022 dated September 21, 2022 and the Trust Deed was executed on November 17, 2022.
- 1.2 The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan.
- 1.3 The Fund is an open-end fixed return Collective Investment Scheme (CIS) as per SECP's Circular No.3 of 2022 dated February 10, 2022 with Allocation Plans. The Allocation Plans under the Fund may have different investment avenues and different maturity dates. The Allocation Plans under the Fund may have a set timeframe or perpetual.
- 1.4 The Fund has been categorised as a Fixed Return scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).
- 1.5 The Core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.
- 1.6 The Fund has launched six different plans; namely, Al Habib Fixed Return Fund - Plan 1, Al Habib Fixed Return Fund - Plan 2, Al Habib Fixed Return Fund - Plan 3, Al Habib Fixed Return Fund - Plan 4, Al Habib Fixed Return Fund - Plan 5, Al Habib Fixed Return Fund - Plan 6. The units of these plans were initially offered to public from March 15, 2023 till March 21, 2023, March 28, 2023 till April 03, 2023, May 02, 2023 till May 11, 2023, June 15, 2023 till June 22, 2023, June 15, 2023 till June 22, 2023, June 15, 2023 till June 22, 2023, respectively.
- 1.7 Al Habib Fixed Return Fund - Plan 1 and Al Habib Fixed Return Fund - Plan 2 have been matured as on June 02, 2023 and June 16, 2023 respectively.
- 1.8 PACRA Credit Rating Agency has assigned a management quality rating of 'AM2' (Stable outlook) to the Management Company while the fund is currently not rated.
- 1.9 Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund. The Fund is not listed on the Pakistan Stock Exchange.

### 2 BASIS OF PREPARATION

#### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

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

#### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values.

#### 2.3 Functional and presentation currency

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

#### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

**Classification and valuation of Investments**

For details please refer notes 4.2.1.1 and 6 to these financial statements.

**Impairment of financial assets**

For details please refer notes 4.2.1.4 to these financial statements.

**3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS****3.1 New accounting standards, amendments and IFRS interpretations that are effective for**

The following standards, amendments and interpretations are effective for the period ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or do not have significant impact on the financial statements other than certain additional disclosures.

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

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

**3.2 New accounting standards, amendments and interpretations that are not yet effective**

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

	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

#### 4 SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

##### 4.1 Cash and cash equivalents

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### 4.2 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

##### 4.2.1 Financial assets

##### 4.2.1.1 Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit and loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

##### Financial assets at FVTPL

These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

##### Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in income statement.

##### 4.2.1.2 Regular way purchase and sale of financial asset

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

##### 4.2.1.3 Derecognition

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

##### 4.2.1.4 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly bank balances, investments and other receivables.

#### **4.2.2 Financial liabilities**

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

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

#### **4.2.3 Offsetting of financial assets and liabilities**

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

#### **4.3 Provisions**

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

#### **4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent (90%) of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders.

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

#### **4.5 Proposed distributions**

Distributions declared subsequent to the period end reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

#### **4.6 Issuance 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 day. The offer price represents the net assets 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.

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

#### **4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

#### **4.8 Net asset value per unit**

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

#### **4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.

- Mark-up / profit / return on Government securities, bank profits and investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

#### 4.10 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

		June 30, 2023							
		AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6	Total	
Note		Rupees in '000							
5	BANK BALANCES								
	in saving accounts	5.1	11,614	4,433	1,112	912	743	875	19,689
			11,614	4,433	1,112	912	743	875	19,689

- 5.1 These carries mark-up at the rates ranging between 18% to 20% per annum for all plans. These represents balance held as at June 30, 2023 with Bank-Al Habib Limited, a related party.

6	INVESTMENTS	June 30, 2023							
		AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6	Total	
		Rupees in '000							
		Note							
	Financial assets classified at fair value through profit or loss								
	Marketable Treasury Bills (T- Bills)		-	-	1,054,833	667,942	744,126	1,106,239	3,573,140
		6.1	-	-	1,054,833	667,942	744,126	1,106,239	3,573,140

#### 6.1 Investment carried at fair value through profit or loss

Name of Instrument	Purchases made during the period	Sales made during the period	Total units as at June 30, 2023	Total carrying value as at June 30, 2023	Total market value as at June 30, 2023	Unrealised diminution on re-measurement of investment	Market value as a percentage of net assets	Market value as a percentage of total value of investment
						Rupees in '000	%	
<b>BAH FRF PLAN 1</b>								
T- BILL 3 MONTHS (15-06-2023)	20,360,000	20,360,000	-	-	-	-	-	-
	20,360,000	20,360,000	-	-	-	-	-	-
<b>BAH FRF PLAN 2</b>								
T- BILL 3 MONTHS (15-06-2023)	8,705,000	8,705,000	-	-	-	-	-	-
	8,705,000	8,705,000	-	-	-	-	-	-
<b>BAH FRF PLAN 3</b>								
T- BILL 12 MONTHS (15-06-2023)	12,036,400	1,410,000	10,626,400	1,055,196	1,054,833	(363)	100	100
	12,036,400	1,410,000	10,626,400	1,055,196	1,054,833	(363)	100	100
<b>BAH FRF PLAN 4</b>								
T- BILL 12 MONTHS (15-06-2023)	6,960,000	-	6,960,000	668,446	667,942	(503)	100	100
	6,960,000	-	6,960,000	668,446	667,942	(503)	100	100
<b>BAH FRF PLAN 5</b>								
T- BILL 12 MONTHS (15-06-2023)	8,215,000	-	8,215,000	746,875	744,126	(2,749)	100	100
	8,215,000	-	8,215,000	746,875	744,126	(2,749)	100	100
<b>BAH FRF PLAN 6</b>								
T- BILL 3 MONTHS (22-06-2023)	4,250,000	4,250,000	-	-	-	-	-	-
T- BILL 12 MONTHS (15-06-2023)	5,000,000	-	5,000,000	704,498	698,876	(5,622)	63	63
T- BILL 12 MONTHS (22-06-2023)	8,518,000	-	8,518,000	410,676	407,363	(3,313)	37	37
	17,768,000	4,250,000	13,518,000	1,115,174	1,106,239	(8,795)	100	100
Total as at June 30, 2023	74,044,400	34,725,000	39,319,400	3,585,691	3,573,140	(12,410)	400	400



## AL HABIB FIXED RETURN FUND

6.2 These T-bills carries effective interest rates for the period ranging from 18% to 21% per annum.

### 7 PAYABLE TO THE MANAGEMENT COMPANY

June 30, 2023

		AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6
Note		Rupees in '000					
Remuneration payable to the Management Company	7.1	4,538	1,762	2,132	300	-	-
Sindh Sales Tax payable on Management Company's remuneration	7.2	591	230	279	40	-	-
Allocation of expenses related to registrar services, accounting, operation and valuation services	7.3	1,105	434	-	169	-	-
		6,234	2,426	2,411	509	-	-

7.1 As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to CIS within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the scheme. The Management has charged its remuneration at rate upto 10% of the gross earnings of the scheme, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

7.2 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Management Company during the period through Sindh Sales Tax on Services Act, 2011.

7.3 As per Regulation 60(3) of NBFC Regulations, fees and expenses related to registrar services, accounting, operation and valuation services related to CIS are chargeable to the CIS. During the period, the fee has been charged at the rate 0.1% .

### 8 PAYABLE TO THE TRUSTEE

June 30, 2023

		AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6
Note		Rupees in '000					
Remuneration payable to the Trustee	8.1	215	59	93	1	14	17
Sindh Sales Tax payable on remuneration of the Trustee		28	8	12	-	2	2
		243	67	105	1	16	19

8.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tari? speci?ed therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

8.2 As per the Trust Deed and Offering Document, the trustee fee shall be charged in accordance to the tariff flat rate of 0.075% pa of net assets.

8.3 The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

### 9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

June 30, 2023

		AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6
Note		Rupees in '000					
Annual fee payable	9.1	78	6	28	0	5	6

9.1 As per Regulation 62 of NBFC Regulations, an Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual nets assets. The fee is payable annually in arrears.

### 10 ACCRUED EXPENSES AND OTHER LIABILITIES

June 30, 2023

		AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6
		Rupees in '000					
Auditors' remuneration payable		87	-	-	-	-	-
Withholding tax-Dividend		1,926	2,030	247	435	295	-
Capital gains tax payable		4,827	1,322	3,260	-	-	-
Others		20	39	-	10	-	-
		6,860	3,391	3,507	445	295	-

### 11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2023.

## 12 NUMBER OF UNITS IN ISSUE

June 30, 2023

	AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6	Total
Rupees in '000							
Units issued	51,007,372	8,460,476	21,559,958	6,684,717	7,447,340	11,084,277	113,283,054
Less: Units redeemed	(51,007,372)	(8,460,476)	(11,072,210)	-	-	-	(70,540,058)
Total units in issue at the reporting date	-	-	10,487,748	6,684,717	7,447,340	11,084,277	42,742,996

## 13 AUDITORS' REMUNERATION

	For the period from March 15, 2023 to June 02, 2023	For the period from March 28, 2023 to June 16, 2023	For the period from May 02, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	Total
Rupees in '000							
Annual audit fee	87	-	-	-	-	-	87
Fee for half yearly review	-	-	-	-	-	-	-
Other certifications and out of pocket expenses	-	-	-	-	-	-	-
	87	-	-	-	-	-	87

## 14 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 ninety percent (90%) of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders. The Fund is also exempt from section 113 (minimum tax) provision under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

During the period ended June 30, 2023, the Fund has distributed by way of cash and bonus units as dividend, as the case maybe, at minimum of ninety percent (90%) of accounting income for the period, as reduced by capital gains, whether realised or unrealised to the unit holders. Accordingly, no provision for taxation has been recognized in these financial statements.

## 15 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

## 16 FINANCIAL INSTRUMENTS BY CATEGORY

June 30, 2023

Particular	AL HABIB FRF PLAN 1			AL HABIB FRF PLAN 2			AL HABIB FRF PLAN 3			AL HABIB FRF PLAN 4			AL HABIB FRF PLAN 5			AL HABIB FRF PLAN 6			Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
Rupees in '000																			
Financial assets																			
Bank balances	-	11,614	11,614	-	4,433	4,433	-	1,112	1,112	-	912	912	-	743	743	-	875	875	19,689
Investments	-	-	-	-	-	-	1,054,833	-	1,054,833	667,942	-	667,942	744,126	-	744,126	1,106,239	-	1,106,239	3,573,140
	-	11,614	11,614	-	4,433	4,433	1,054,833	1,112	1,055,945	667,942	912	668,854	744,126	743	744,869	1,106,239	875	1,107,114	3,592,829

Particular	2023																		Total
	AL HABIB FRF PLAN 1			AL HABIB FRF PLAN 2			AL HABIB FRF PLAN 3			AL HABIB FRF PLAN 4			AL HABIB FRF PLAN 5			AL HABIB FRF PLAN 6			
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
Rupees in '000																			
<b>Financial liabilities</b>																			
Payable to the Management Company	-	6,234	6,234	-	2,426	2,426	-	2,411	2,411	-	509	509	-	-	-	-	-	-	11,580
Payable to the Trustee	-	243	243	-	67	67	-	105	105	-	1	1	-	15	15	-	19	19	450
Payable to Securities and Exchange Commission of Pakistan	-	78	78	-	6	6	-	28	28	-	-	-	-	5	5	-	6	6	123
Accrued expenses and other liabilities	-	6,860	6,860	-	3,391	3,391	-	3,507	3,507	-	445	445	-	295	295	-	-	-	14,497
	-	13,415	13,415	-	5,890	5,890	-	6,051	6,051	-	955	955	-	315	315	-	25	25	26,651

## 17 TRANSACTIONS AND BALANCES WITH RELATED PARTIES/ CONNECTED PERSONS

Related parties/ Connected persons include Al Habib Fund Managers Limited being the Management Company, Bank Al Habib Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

## AL HABIB FIXED RETURN FUND

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively, as disclosed in the offering document of the fund.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the financial statements are as follows:

	For the period from March 15, 2023 to June 02, 2023	For the period from March 28, 2023 to June 16, 2023	For the period from May 02, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	For the period from June 15, 2023 to June 30, 2023	
	AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6	Total
<b>17.1 Transactions during the period</b>	Rupees in '000						
<b>Al Habib Asset Managemen Limited - Management Company</b>							
Remuneration of the Management Company	4,538	1,762	2,132	300	-	-	8,732
Sindh Sales Tax on remuneration of the Management Company	589	229	277	39	-	-	1,134
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,105	434	-	169	-	-	1,708
<b>Central Depository Company of Pakistan Limited - Trustee</b>							
Remuneration of the Trustee	215	59	93	1	14	17	399
Sindh Sales Tax on remuneration of the Trustee	27	8	12	-	2	2	51
<b>Bank Al Habib Limited - Sponsor</b>							
Bank charges	6	7	3	-	-	-	16
Mark-up on bank deposits	1,801	1,457	774	573	180	2,266	7,051
<b>Other Connected Persons</b>							
Purchase of units of the plan (35,333,522 units)	3,575,263,567	-	-	-	-	-	3,575,263,567
Purchase of units of the plan (8,460,476 units)	-	857,111,164	-	-	-	-	857,111,164
Purchase of units of the plan (11,356,641 units)	-	-	1,137,060,801	-	-	-	1,137,060,801
Purchase of units of the plan (6,684,717 units)	-	-	-	671,212,850	-	-	671,212,850
Purchase of units of the plan (7,447,340 units)	-	-	-	-	745,244,391	-	745,244,391
Purchase of units of the plan (10,834,277 units)	-	-	-	-	-	1,084,780,419	1,084,780,419
Redemption of units of the plan (35,486,829 units)	3,561,894,173	-	-	-	-	-	3,561,894,173
Redemption of units of the plan (8,460,476 units)	-	862,727,847	-	-	-	-	862,727,847
Redemption of units of the plan (1,355,202 units)	-	-	138,316,637	-	-	-	138,316,637
<b>Directors and Key Executives</b>							
Purchase of units of the plan (15,575 units)	1,562,888	-	-	-	-	-	1,562,888
Purchase of units of the plan (515,334 units)	-	-	51,561,496	-	-	-	51,561,496
Purchase of units of the plan (250,000 units)	-	-	-	-	-	25,000,000	25,000,000
<b>30-Jun-23</b>							
	AL HABIB FRF PLAN 1	AL HABIB FRF PLAN 2	AL HABIB FRF PLAN 3	AL HABIB FRF PLAN 4	AL HABIB FRF PLAN 5	AL HABIB FRF PLAN 6	Total
<b>17.2 Balances outstanding as at period end</b>	Rupees in '000						
<b>Al Habib Asset Managemen Limited - Management Company</b>							
Remuneration payable to the Management Company	4,538	1,762	2,132	300	-	-	8,732
Sindh Sales Tax payable on remuneration of the Management Company	591	230	279	40	-	-	1,140
Allocation of expenses related to registrar services, accounting, operation and valuation services	1,105	434	-	169	-	-	1,708
<b>Bank Al Habib Limited - Sponsor</b>							
Bank balances	11,614	4,433	1,112	912	743	875	19,689
Profit Recievable	-	-	774	-	180	-	954
<b>Central Depository Company of Pakistan Limited - Trustee</b>							
Trustee fee payable	215	59	93	1	14	17	399
Sindh Sales Tax payable on remuneration of the Trustee	28	8	12	-	2	2	52
<b>Other Connected Persons</b>							
Units held as at June 30, 2023 ( 10,487,748Units)	-	-	1,050,660,491	-	-	-	1,050,660,491
Units held as at June 30, 2023 ( 6,684,717 Units)	-	-	-	668,471,654	-	-	668,471,654
Units held as at June 30, 2023 ( 7,447,340 Units)	-	-	-	-	744,734,013	-	744,734,013
Units held as at June 30, 2023 ( 11,084,277 Units)	-	-	-	-	-	1,109,355,429	1,109,355,429
<b>Directors and Key Executives</b>							
Purchase of units of the plan (513,843 units)	-	-	51,476,666	-	-	-	51,476,666
Purchase of units of the plan (250,000 units)	-	-	-	-	-	25,020,925	25,020,925

## 18 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 18.1 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 in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### 18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

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

As at the reporting date, the fund does not hold any variable profit based investment except balances with banks exposing the fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in interest rate at period end with all other variables held constant, the net income for the period and the net assets would be lower / higher by Rs. 0.189 million.

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

The Fund is exposed to fair value interest rate risk for investment in government securities.

In case of 100 basis points increase in interest rates on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would have been lower / higher by Rs. 3.83 million

##### c) Fair value interest rate risk

Yield / Interest rate sensitivity position for financial instrument is as follows:

AL HABIB FRF PIAN 1							AL HABIB FRF PIAN 2						
June 30, 2023							June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	
		Upto three months	More than three months and upto one year	More than one year				Upto three months	More than three months and upto one year	More than one year			
	%	Rupees in '000					%	Rupees in '000					
On-balance sheet financial instruments													
Financial assets													
Bank balances	18%-21%	11,614	-	-	-	11,614	18%-21%	4,433	-	-	-	4,433	
Investments - net		-	-	-	-	-		-	-	-	-	-	
Sub total		11,614	-	-	-	11,614		4,433	-	-	-	4,433	
Financial liabilities													
Payable to the Management Company		-	-	-	6,234	6,234		-	-	-	2,426	2,426	
Payable to the Trustee		-	-	-	243	243		-	-	-	67	67	
Payable to Securities and Exchange Commission of Pakistan		-	-	-	78	78		-	-	-	6	6	
Accrued expenses and other liabilities		-	-	-	6,860	6,860		-	-	-	3,391	3,391	
Sub total		-	-	-	13,415	13,415		-	-	-	5,890	5,890	
On-balance sheet gap (a)		11,614	-	-	(13,415)	(1,801)		4,433	-	-	(5,890)	(1,457)	
Off-balance sheet financial instruments													
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-	
Total interest rate sensitivity gap (a) + (b)		11,614	-	-	(13,415)	(1,801)		4,433	-	-	(5,890)	(1,457)	
Cumulative interest rate sensitivity gap		11,614	-	-	-	-		4,433	-	-	-	-	

AL HABIB FRF PIAN 3							AL HABIB FRF PIAN 4						
June 30, 2023							June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	
		Upto three months	More than three months and upto one year	More than one year				Upto three months	More than three months and upto one year	More than one year			
	%	Rupees in '000					%	Rupees in '000					
On-balance sheet financial instruments													
Financial assets													
Bank balances	18%-21%	1,112	-	-	-	1,112	18%-21%	912	-	-	-	912	
Investments - net		-	-	-	1,054,833	1,054,833		-	-	-	667,942	667,942	
Receivable against sale of investment		-	-	-	-	-		-	-	-	-	-	
Sub total		1,112	-	-	1,054,833	1,055,945		912	-	-	667,942	668,854	
Financial liabilities													
Payable to the Management Company		-	-	-	2,411	2,411		-	-	-	509	509	
Payable to the Trustee		-	-	-	105	105		-	-	-	1	1	
Payable to Securities and Exchange Commission of Pakistan		-	-	-	28	28		-	-	-	-	-	
Accrued expenses and other liabilities		-	-	-	3,507	3,507		-	-	-	445	445	
Sub total		-	-	-	6,050	6,050		-	-	-	955	955	
On-balance sheet gap (a)		1,112	-	-	1,048,783	1,049,895		912	-	-	666,987	667,899	
Off-balance sheet financial instruments		-	-	-	-	-		-	-	-	-	-	
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-	
Total interest rate sensitivity gap (a) + (b)		1,112	-	-	1,048,783	1,049,895		912	-	-	666,987	667,899	
Cumulative interest rate sensitivity gap		1,112	-	-	-	-		912	-	-	-	-	

AL HABIB FRF PIAN 5							AL HABIB FRF PIAN 6						
June 30, 2023							June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	
		Upto three months	More than three months and upto one year	More than one year				Upto three months	More than three months and upto one year	More than one year			
%		Rupees in '000					%		Rupees in '000				
On-balance sheet financial instruments													
Financial assets													
Bank balances	18%-21%	743	-	-	-	743	18%-21%	875	-	-	-	875	
Investments - net		-	-	-	744,126	744,126		-	-	-	1,106,239	1,106,239	
Sub total		743	-	-	744,126	744,869		875	-	-	1,106,239	1,107,114	
Financial liabilities													
Payable to the Management Company					-	-		-	-	-	-	-	
Payable to the Trustee					15	15		-	-	-	19	19	
Payable to Securities and Exchange Commission of Pakistan					5	5					6	6	
Accrued expenses and other liabilities					295	295		-	-	-	-	-	
Sub total		-	-	-	315	315		-	-	-	25	25	
On-balance sheet gap (a)		743	-	-	743,811	744,554		875	-	-	1,106,214	1,107,089	
Off-balance sheet financial instruments		-	-	-	-	-		-	-	-	-	-	
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-	
Total interest rate sensitivity gap (a) + (b)		743	-	-	743,811	744,554		875	-	-	1,106,214	1,107,089	
Cumulative interest rate sensitivity gap		743	-	-	743,811	744,554		875	-	-	-	-	

### 18.1.3 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2023, the Fund do not hold any financial instrument which exposes the Fund to other price risks.

### 18.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances (financial institutions) and receivables from banks.

#### Management of credit risk

The Fund keeps deposits with reputed financial institutions. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

#### 18.2.1 The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2023

Bank	AL HABIB FRF Plan 1	AL HABIB FRF Plan 2	AL HABIB FRF Plan 3	AL HABIB FRF Plan 4	AL HABIB FRF Plan 5	AL HABIB FRF Plan 6	Latest available published rating as at June 30, 2023	Rating agency
Rupees in '000								
Bank Al Habib Limited	11,614	4,433	1,112	912	743	875	A-1+	PACRA
	11,614	4,433	1,112	912	743	875		

**18.2.2** The analysis below summarizes the credit quality of the Fund's credit exposure:

**Rating by rating category**

**June 30, 2023**

A-1+

100%

The maximum exposure to credit risk other the bank balance as disclosed above as at June 30, 2023 is the carrying amount of the financial assets of the Fund. None of these assets are "impaired" nor "past due but not impaired".

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's portfolio of financial instruments is mainly concentrated in bank balances and Government securities. The management believes that the balances with banks which are reputed institution.

**18.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

**Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed. The Fund invests primarily in marketable securities and other financial instruments, which under normal market conditions are readily convertible to cash. As a result, the Fund may be able to liquidate quickly its investments in these instruments at an amount close to their fair value to meet its liquidity requirement.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

The following table 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.

## AL HABIB FIXED RETURN FUND

Particulars	June 30, 2023								
	AL HABIB FRF Plan 1			AL HABIB FRF Plan 2			AL HABIB FRF Plan 3		
	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year

Rupees in '000

### Financial liabilities

Payable to the Management Company	6,234	-	-	2,426	-	-	2,411	-	-
Payable to the Trustee	243	-	-	67	-	-	105	-	-
Payable to Securities and Exchange Commission of Pakistan	78	-	-	6	-	-	28	-	-
Accrued expenses and other liabilities	6,860	-	-	3,391	-	-	3,507	-	-
<b>Total Liabilities</b>	<b>13,415</b>	<b>-</b>	<b>-</b>	<b>5,890</b>	<b>-</b>	<b>-</b>	<b>6,050</b>	<b>-</b>	<b>-</b>

Particulars	June 30, 2023								
	AL HABIB FRF Plan 4			AL HABIB FRF Plan 5			AL HABIB FRF Plan 6		
	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year

Rupees in '000

### Financial liabilities

Payable to the Management Company	509	-	-	-	-	-	0	-	-
Payable to the Trustee	1	-	-	15	-	-	19	-	-
Payable to Securities and Exchange Commission of Pakistan	-	-	-	5	-	-	6	-	-
Accrued expenses and other liabilities	445	-	-	295	-	-	0	-	-
<b>Total Liabilities</b>	<b>955</b>	<b>-</b>	<b>-</b>	<b>315</b>	<b>-</b>	<b>-</b>	<b>25</b>	<b>-</b>	<b>-</b>

## 19 UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by the net assets attributable to unitholders / redeemable units. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unitholders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unitholders' fund. Unitholders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unitholders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

## 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Consequently, differences can arise between carrying amount and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:



- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

June 30, 2023 AL HABIB FRF Plan 1							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Financial assets measured at amortised cost</b>							
Bank balances	-	11,614	11,614				
	-	11,614	11,614				
<b>Financial liabilities measured at amortised cost</b>							
Payable to the Management Company	-	6,234	6,234				
Payable to the Trustee	-	243	243				
Payable to Securities and Exchange Commission of Pakistan	-	78	78				
Accrued expenses and other liabilities	-	6,860	6,860				
	-	13,415	13,415				

June 30, 2023 AL HABIB FRF Plan 2							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	-	-	-	-	-	-	-
	-	-	-	-	-	-	-
<b>Financial assets measured at amortised cost</b>							
Bank balances	-	4,433	4,433				
	-	4,433	4,433				
<b>Financial liabilities measured at amortised cost</b>							
Payable to the Management Company	-	2,426	2,426				
Payable to the Trustee	-	67	67				
Payable to Securities and Exchange Commission of Pakistan	-	6	6				
Accrued expenses and other liabilities	-	3,391	3,391				
	-	5,890	5,890				

June 30, 2023 AL HABIB FRF Plan 3							
Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	1,054,833	-	1,054,833	-	1,054,833	-	1,054,833
	1,054,833	-	1,054,833	-	1,054,833	-	1,054,833
<b>Financial assets measured at amortised cost</b>							
Bank balances	-	1,112	1,112				
	-	1,112	1,112				
<b>Financial liabilities measured at amortised cost</b>							
Payable to the Management Company	-	2,411	2,411				
Payable to the Trustee	-	105	105				
Payable to Securities and Exchange Commission of Pakistan	-	28	28				
Accrued expenses and other liabilities	-	3,507	3,507				
	-	6,050	6,050				

June 30, 2023  
AL HABIB FRF Plan 4

Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	667,942	-	667,942	-	667,942	-	667,942
	667,942	-	667,942	-	667,942	-	667,942
<b>Financial assets measured at amortised cost</b>							
Bank balances	-	912	912				
	-	912	912				
<b>Financial liabilities measured at amortised cost</b>							
Payable to the Management Company	-	509	509				
Payable to the Trustee	-	1	1				
Payable to Securities and Exchange Commission of Pakistan	-	-	-				
Accrued expenses and other liabilities	-	445	445				
	-	955	955				

June 30, 2023  
AL HABIB FRF Plan 5

Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	744,126	-	744,126	-	744,126	-	744,126
	744,126	-	744,126	-	744,126	-	744,126
<b>Financial assets measured at amortised cost</b>							
Bank balances		743	743				
	-	743	743				
<b>Financial liabilities measured at amortised cost</b>							
Payable to the Management Company	-	-	-				
Payable to the Trustee	-	15	15				
Payable to Securities and Exchange Commission of Pakistan	-	5	5				
Accrued expenses and other liabilities	-	295	295				
	-	315	315				

June 30, 2023  
AL HABIB FRF Plan 6

Particulars	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
Rupees in '000							
<b>Financial assets measured at fair value</b>							
Investments	1,106,239	-	1,106,239	-	1,106,239	-	1,106,239
	1,106,239	-	1,106,239	-	1,106,239	-	1,106,239
<b>Financial assets measured at amortised cost</b>							
Bank balances		875	875				
	-	875	875				
<b>Financial liabilities measured at amortised cost</b>							
Payable to the Management Company	-	-	-				
Payable to the Trustee	-	19	19				
Payable to Securities and Exchange Commission of Pakistan	-	6	6				
Accrued expenses and other liabilities	-	-	-				
	-	25	25				

## 20.1 Valuation techniques

For level 2 investments at fair value through profit or loss in units of mutual funds, Fund uses PKRV rates which are taken from MUFAP, for the purpose of computation of Market value at the reporting date.

- 20.2 The Fund has not disclosed the fair values of the financial assets and financial liabilities as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 21 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualification	Experience in years
1	Mr. Kashif Rafi	Chief Executive Officer Chief Operating Officer	MBA - IBA	22
2	Mr. Zahid Hussain Vasnani	& Company Secretary	CA- Affiliate	23
3	Mr. Ahmed Abbas	Fund Manager	MBA, MCS	15
4	Mr. Muhammad Shayan	Manager Investments	MBA & CFA Level II	5
5	Mr. Talha A.Siddiqui	Fund Manager	MA in Economics	10
6	Mr. Umar Bin Hassan	Manager Risk & Research	MS - IBA	5

## 22 PATTERN OF UNITHOLDING

30-Jun-23				
Category	Number of unit holders	Number of units held	Investment amount	Percentage
Rupees in '000				
<b>Al Habib Fixed Return Fund - Plan 1</b>				
Individuals	-	-	-	0%
Associated Companies and Directors	-	-	-	0%
Retirement Funds	-	-	-	0%
Others	-	-	-	0%
	-	-	-	0%
<b>Al Habib Fixed Return Fund - Plan 2</b>				
Individuals	-	-	-	0.00%
Associated Companies and Directors	-	-	-	0.00%
Retirement Funds	-	-	-	0.00%
Others	-	-	-	0.00%
	-	-	-	0%
<b>Al Habib Fixed Return Fund - Plan 3</b>				
Individuals	28	4,216,572	422,415	40.2%
Associated Companies and Directors	1	513,843	51,477	4.90%
Retirement Funds	-	-	-	0%
Others	3	5,757,333	576,769	54.90%
	28	10,487,748	1,050,661	100%
<b>Al Habib Fixed Return Fund - Plan 4</b>				
Individuals	13	3,375,793	337,579	50.50%
Associated Companies and Directors	-	-	-	0%
Retirement Funds	-	-	-	0%
Others	3	3,308,923	330,892	49.50%
	16	6,684,716	668,471	100%
<b>Al Habib Fixed Return Fund - Plan 5</b>				
Individuals	13	1,318,147	131,815	18%
Associated Companies and Directors	-	-	-	0%
Retirement Funds	-	-	-	0%
Others	9	6,129,193	612,919	82%
	22	7,447,340	744,734	100%
<b>Al Habib Fixed Return Fund - Plan 6</b>				
Individuals	16	3,205,355	320,804	29%
Associated Companies and Directors	-	-	-	0%
Retirement Funds	-	-	-	0%
Others	2	7,878,922	788,552	71%
	18	11,084,277	1,109,356	100%

**23 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Four meetings of the Board of Directors were held on August 29, 2022 and October 28, 2022 , February 09, 2023, April 13, 2023 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Particular	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
	<b>Name of Director</b>				
1	Mr. Abbas D.Habib	4	3	1	96th Meeting
2	Mr. Mansoor Ali Khan	4	4	0	-
3	Mr. Saeed Allawala	4	4	0	-
4	Ms. Zarine Aziz	4	3	1	96th Meeting
5	Mr. Imran Azim	4	2	2	95th and 96th Meeting
6	Mr. Kashif Rafi	4	4	0	-

**24 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016, dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the period ended June 30, 2023 is 0.63% which includes 0.08% representing Government levy and SECP fee.

This ratio is within the maximum limit of 2.5% prescribed under the NBFC Regulations for a collective investment scheme categorised as an income scheme.

**25 GENERAL**

**25.1** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**25.2** There are no comparative figures to be reported as it's the first year of operations.

**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **17 August, 2023** by the Board of Directors of the Management Company.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Fund Objective

The AL Habib Fixed Return Fund - Plan 3 (AHFRFP3) is Allocation Plans under "AL Habib Fixed Return Fund (AHFRF)" with an objective to provide investors with a competitive rate of returns, for fixed tenure by investing primarily in instruments for a specific duration.

### Plan Objective Achieved:

The Plan has achieved its stated objective.

### Performance Review:

The return of the plan during the period was 20.54%.

### Strategies and Policies Employed during the period under review:

The AHFRFP3 maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Plan, wherein major portion of investment was held with short tenor T-bills.

### Fund Description

<b>Fund Type &amp; Category</b>	Open End - Fixed Rate/ Return Scheme	<b>External Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Launch Date</b>	May 02, 2023	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	70% PKRV and 30% average deposit rate of three (3) AA rated scheduled Banks as selected by MUFAP of comparable period of the plan at the time of plan launch.	<b>Contingent Load</b>	Contingent Load will be charged which shall commensurate with net loss incurred due to early redemption.
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Rs. 100,000
<b>Risk Profile</b>	Low (Principal at low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AM2+" by PACRA
<b>Maturity</b>	July 14, 2023		

### Market Review:

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

## AL HABIB FIXED RETURN FUND

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates (%)			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72

Policy Rate		
Date	Policy Rate (%)	Change (Bps)
April 5, 2023	21	100
June 27, 2023	22	100

### Asset Allocation of Plan

Particulars	As at June 30, 2023
Cash	0.11%
GOP Ijarah Sukuk	97.07%
Others	2.82%

### Breakdown of Unit Holdings by Size:

Size of Unit Holding (Units)	# Of Unit Holders
1-10000	1
10001-50000	14
50001-500000	11
500001-5000000	5
5000001-10000000	1
<b>Total</b>	<b>32</b>

### Income Distribution

AHFREFP3 made a total distribution of Rs. 3.13 during FY23 in the form of dividend, the detail of which is given below:

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Jun-23	101.7463	100.00	1.7463

### During the period under question:

There has been no significant change in the state of affairs of the Plan. AL Habib Fixed Return Fund Plan 3 does not have any soft commission arrangement with any broker in the industry.

### Sales and Redemptions of Units

During the year, 32,632,167 units valued of Rs. 3.32 Bn. were sold while 11,072,210 units valued Rs. 1.13 Bn. were redeemed resulting in to a net sale of 21,559,958 units of the value of Rs. 2.18 Bn.

### Unit Holders Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

**Plan Performance at a Glance**

<b>2023</b>	
<b>Net Assets as at June 30 (Rs. in Bn.)</b>	1.051
<b>NAV per unit as at June 30 (Rs. )</b>	100.1798
<b>Distribution during the year ended June 30 (Rs. )</b>	3.1341
<b>Annual Return</b>	20.54%
<b>Benchmark</b>	21.06%

**Disclosure:**

There are no material circumstances affecting unit holder interests.



**Fund Objective**

The AL Habib Fixed Return Fund - Plan 4 (AHFRFP4) is Allocation Plans under "AL Habib Fixed Return Fund (AHFRF)" with an objective to provide investors with a competitive rate of returns, for fixed tenure by investing primarily in instruments for a specific duration.

**Plan Objective Achieved:**

The Plan has achieved its stated objective.

**Performance Review:**

The return of the plan during the period was 19.08%.

**Strategies and Policies Employed during the period under review:**

The AHFRFP4 maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Plan, wherein major portion of investment was held with short tenor T-bills.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open End - Fixed Rate/ Return Scheme	<b>External Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Launch Date</b>	June 15, 2023	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	70% PKRV and 30% average deposit rate of three (3) AA rated scheduled Banks as selected by MUFAP of comparable period of the plan at the time of plan launch.	<b>Contingent Load</b>	Contingent Load will be charged which shall commensurate with net loss incurred due to early redemption.
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Rs. 100,000
<b>Risk Profile</b>	Low (Principal at low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AM2+" by PACRA
<b>Maturity</b>	September 22, 2023		

**Market Review:**

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

<b>PKRV Rates (%)</b>			
<b>Tenor</b>	<b>As at June 30, 2023</b>	<b>As at June 30, 2022</b>	<b>Change</b>
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72

<b>Policy Rate</b>		
<b>Date</b>	<b>Policy Rate (%)</b>	<b>Change (Bps)</b>
April 5, 2023	21	100
June 27, 2023	22	100

#### **Asset Allocation of Plan**

<b>Particulars</b>	<b>As at June 30, 2023</b>
Cash	0.14%
T-Bills	99.78%
Others	0.09%

#### **Breakdown of Unit Holdings by Size:**

<b>Size of Unit Holding (Units)</b>	<b># Of Unit Holders</b>
10001-50000	3
50001-100000	1
100001-500000	7
500001-1000000	3
1000001-5000000	2
<b>Total</b>	<b>16</b>

#### **Income Distribution**

AHFRFP4 made a total distribution of Rs. 1.75 during FY23 in the form of dividend, the detail of which is given below:

<b>Month</b>	<b>Cum NAV Rs.</b>	<b>EX-NAV Rs.</b>	<b>Distribution Rs.</b>
Jun-23	101.7463	100.00	1.7463

#### **During the period under question:**

There has been no significant change in the state of affairs of the Plan. Al Habib Fixed Return Fund Plan 4 does not have any soft commission arrangement with any broker in the industry.

#### **Sales and Redemptions of Units**

During the year, 6,684,717 units valued of Rs. 671.21 Mn. were sold while none of the unit were redeemed.

#### **Unit Holders Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

## AL HABIB FIXED RETURN FUND

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### Plan Performance at a Glance

	2023
Net Assets as at June 30 (Rs. In Mn.)	668
NAV per unit as at June 30 (Rs. )	100
Distribution during the year ended June 30 (Rs. )	1.75
Annual Return	19.08%
Benchmark	21.06%

### Disclosure:

There are no material circumstances affecting unit holder interests.

**Fund Objective**

The AL Habib Fixed Return Fund - Plan 5 (AHFRFP5) is Allocation Plans under "AL Habib Fixed Return Fund (AHFRF)" with an objective to provide investors with a competitive rate of returns, for fixed tenure by investing primarily in instruments for a specific duration.

**Plan Objective Achieved:**

The Plan has achieved its stated objective.

**Performance Review:**

The return of the plan during the period was 7.15%.

**Strategies and Policies Employed during the period under review:**

The AHFRFP5 maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Plan, wherein major portion of investment was held with short tenor T-bills.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open End - Fixed Rate/ Return Scheme	<b>External Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Launch Date</b>	June 15, 2023	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	70% PKRV and 30% average deposit rate of three (3) AA rated scheduled Banks as selected by MUFAP of comparable period of the plan at the time of plan launch.	<b>Contingent Load</b>	Contingent Load will be charged which shall commensurate with net loss incurred due to early redemption.
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Rs. 100,000
<b>Risk Profile</b>	Low (Principal at low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AM2+" by PACRA
<b>Maturity</b>	January 03, 2024		

**Market Review:**

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

## AL HABIB FIXED RETURN FUND

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates (%)			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72

Policy Rate		
Date	Policy Rate (%)	Change (Bps)
April 5, 2023	21	100
June 27, 2023	22	100

### Asset Allocation of Plan

Particulars	As at June 30, 2023
Cash	0.10%
T-Bills	99.88%
Others	0.02%

### Breakdown of Unit Holdings by Size:

Size of Unit Holding (Units)	# Of Unit Holders
10001-50000	2
50001-100000	2
100001-500000	6
500001-1000000	1
1000001-10000000	2
<b>Total</b>	<b>13</b>

### Income Distribution

AHFRFP5 made a total distribution of Rs. 0.29 during FY23 in the form of dividend, the detail of which is given below:

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Jun-23	101.7463	100.00	1.7463

### During the period under question:

There has been no significant change in the state of affairs of the Plan. AL Habib Fixed Return Fund Plan 5 does not have any soft commission arrangement with any broker in the industry.

### Sales and Redemptions of Units

During the year, 7,447,340 units valued of Rs. 745.2 Mn. were sold while none of the unit were redeemed.

### Unit Holders Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

**Plan Performance at a Glance**

	2023
Net Assets as at June 30 (Rs. in Mn. )	745
NAV per unit as at June 30 (Rs. )	100
Distribution during the year ended June 30 (Rs. )	0.29
Annual Return	7.15%
Benchmark	21.06%

**Disclosure:**

There are no material circumstances affecting unit holder interests.

**Fund Objective**

The AL Habib Fixed Return Fund - Plan 6 (AHFRFP6) is Allocation Plans under "AL Habib Fixed Return Fund (AHFRF)" with an objective to provide investors with a competitive rate of returns, for fixed tenure by investing primarily in instruments for a specific duration

**Plan Objective Achieved:**

The Plan has achieved its stated objective.

**Performance Review:**

The return of the plan during the period was 2.04%.

**Strategies and Policies Employed during the period under review:**

The AHFRFP6 maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Plan, wherein major portion of investment was held with T-bills.

**Fund Description**

<b>Fund Type &amp; Category</b>	Open End - Fixed Rate/ Return Scheme	<b>External Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Launch Date</b>	June 15, 2023	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	70% PKRV and 30% average deposit rate of three (3) AA rated scheduled Banks as selected by MUFAP of comparable period of the plan at the time of plan launch.	<b>Contingent Load</b>	Contingent Load will be charged which shall commensurate with net loss incurred due to early redemption.
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Rs. 100,000
<b>Risk Profile</b>	Low (Principal at low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AM2+" by PACRA
<b>Maturity</b>	July 03, 2024		

**Market Review:**

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.



Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

PKRV Rates (%)			
Tenor	As at June 30, 2023	As at June 30, 2022	Change
3 Months	22.65	14.98	7.67
6 Months	22.87	15.15	7.72
12 Months	22.93	15.3	7.63

Policy Rate		
Date	Policy Rate (%)	Change (Bps)
April 5, 2023	21	100
June 27, 2023	22	100

#### Asset Allocation of Plan

Particulars	As at June 30, 2023
Cash	0.08%
T-Bills	99.73%
Others	0.19%

#### Breakdown of Unit Holdings by Size:

Size of Unit Holding (Units)	# Of Unit Holders
1-50000	6
50001-500000	9
500001-1000000	1
1000001-5000000	1
5000001-10000000	1
<b>Total</b>	<b>18</b>

#### Income Distribution

AHFRFP6 made no distribution during FY23.

#### During the period under question:

There has been no significant change in the state of affairs of the Plan. AL Habib Fixed Return Fund Plan 6 does not have any soft commission arrangement with any broker in the industry.

#### Sales and Redemptions of Units

During the year, 11,084,277 units valued of Rs. 1.109 Bn. were sold while none of the units were redeemed.

#### Unit Holders Pattern

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

## AL HABIB FIXED RETURN FUND

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### Plan Performance at a Glance

	2023
Net Assets as at June 30 (Rs. in Bn.)	1.109
NAV per unit as at June 30 (Rs. )	100.0837
Annual Return	2.04%
Benchmark	21.06%

### Disclosure:

There are no material circumstances affecting unit holder interests.

**AL HABIB ISLAMIC MUNAFA FUND**  
**Annual Report**  
For the year ended June 30, 2023

**FUND'S INFORMATION**

**Management Company**

AL Habib Asset Management Limited

**Board of Directors of the Management Company**

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

**Chief Financial Officer**

Mr. Abbas Qurban

**Company Secretary & Chief Operating Officer**

Mr. Zahid Hussain Vasnani

**Audit Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

**Human Resource Committee**

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

**Auditors**

BDO Ebrahim & Co.  
Lakson Square Building No. 1, 9th Floor,  
Block C Sarwar Shaheed Rd, Civil Lines,  
Karachi, Karachi City, Sindh 74200

**Legal Advisor**

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4,  
Block 9, Kehkashan, Clifton, Karachi.

**Trustee**

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S,  
Main Shahra-e-Faisal, Karachi.

**Rating**

AM2+ Management Company Quality  
Rating Assigned by PACRA.

**Bankers to the Fund**

Bank AL Habib Limited  
Bank Alfalah Limited  
Allied Bank Limited  
Habib Bank Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.

**CENTRAL DEPOSITORY COMPANY  
OF PAKISTAN LIMITED**

**Head Office:**

CDC House, 99-B, Block 'B'  
S.M.C.H.S., Main Shakra-e-Faisal  
Karachi - 74400, Pakistan.

Tel : (92-21) 111-111-500

Fax: (92-21) 34326021 - 23

URL: www.cdcpakistan.com

Email: info@cdcpak.com



**TRUSTEE REPORT TO THE UNIT HOLDERS**

**AL HABIB ISLAMIC MUNAFA FUND**

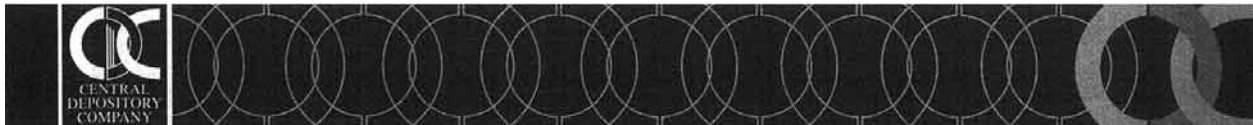
**Report of the Trustee pursuant to Regulation 41(h) and Clause 8 of Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008**

We, Central Depository Company of Pakistan Limited, being the Trustee of AL Habib Islamic Munafa Fund (the Fund) are of the opinion that AL Habib Asset Management Limited being the Management Company of the Fund has in all material respects managed the Fund during the period from March 31, 2023 to June 30, 2023 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;
- (iii) The management fee, fee payable to Commission and other expenses paid from the Fund during the period are in accordance with the applicable regulatory framework; and
- (iv) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

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

Karachi, September 28, 2023



**REVIEW REPORT OF THE SHARIAH ADVISOR**

As a Shariah Advisor of the **AL Habib Islamic Munafa Fund (AHIMF)**, I am issuing this report. The scope of the report is to express an opinion on the Shariah compliance of the fund's activities.

It is the responsibility of the management of aforesaid fund to establish and maintain a system of internal control to ensure compliance with Shariah guidelines. My responsibility is to express an opinion, based on my 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, I hereby certify that:

- I have reviewed and approved the modes of investment of AHIMF in the light of the Shariah guidelines.
- All the provisions of the scheme and investments made on account of AHIMF 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 Plans under AHIMF for the period from March 31, 2023 to June 30, 2023 have been in compliance with Shariah principles.



**Dr. Mufti Ismatullah Hamdullah**  
Shariah Advisor

Date: June 30, 2023



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Fax: +92 21 3568 4239  
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Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AL HABIB ISLAMIC MUNAFA FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Al Habib Islamic Munafa Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the period then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the period then ended in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key Audit Matters

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

Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1	<b>Existence and valuation of investments</b>  As disclosed in note 6 to the financial statements of the Fund for the period ended June 30, 2023, the Fund has investments classified as "Fair value through profit or loss" amounting to Rs. 383.59 million aggregate representing 97.17% of the net assets value of the Fund.	Our audit procedures included the following: <ul style="list-style-type: none"> <li>We evaluated the design and implementation of key controls of Investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> </ul>





S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on period-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("Al Habib Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

The Management Company is responsible for overseeing the Fund's financial reporting process.

**Auditor's responsibilities for the audit of the financial statements**

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

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

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

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



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

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

**Report on other legal and regulatory requirements**

Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: August 30, 2023

UDIN: AR202310166krVuL4QbG

A handwritten signature in black ink, appearing to read 'BDO Ebrahim &amp; Co.'.

**BDO EBRAHIM & CO.**  
**CHARTERED ACCOUNTANTS**

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

		AL HABIB ISLAMIC MUNAFA PLAN I	AL HABIB ISLAMIC MUNAFA PLAN II	Total
	Note	-----Rupees 000-----		
ASSETS				
Bank balances	5	6,741	432	7,173
Investments	6	-	383,590	383,590
Profit / mark-up receivable	7	106	11,134	11,240
TOTAL ASSETS		6,847	395,156	402,003
LIABILITIES				
Payable to the Management Company	8	448	319	767
Payable to the Trustee (CDC)	9	18	10	28
Payable to Securities and Exchange Commission of Pakistan	10	6	3	9
Accrued expenses and other liabilities	11	6,385	82	6,467
TOTAL LIABILITIES		6,857	414	7,271
NET ASSETS		(10)	394,742	394,732
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)				
		(10)	394,742	394,732
CONTINGENCIES AND COMMITMENTS				
	12	----- Number of units -----		
Number of units in issue	13	-	3,943,320	3,943,320
----- Rupees -----				
Net assets value per unit		-	100.1039	100.1013

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director





**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from March 31, 2023 to May 3, 2023	For the period from May 24, 2023 to June 30, 2023	
	AL HABIB ISLAMIC MUNAFA PLAN I	AL HABIB ISLAMIC MUNAFA PLAN II	Total
	-----Rupees 000-----		
Net income for the period after taxation	5,355	5,504	10,859
Other comprehensive income	-	-	-
Total comprehensive income for the period	5,355	5,504	10,859

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	AL HABIB ISLAMIC MUNAFA PLAN I			AL HABIB ISLAMIC MUNAFA PLAN II			
	Capital value	Undistributed income	Total	Capital value	Undistributed income	Total	Total
	Rupees in '000						
<b>Issuance of 13,936,443 units</b>							
Capital Value	662,813	-	662,813	732,446	-	732,446	1,395,259
Element of income	3,010	-	3,010	5,990	-	5,990	9,000
<b>Total proceeds on issuance of units</b>	665,823	-	665,823	738,436	-	738,436	1,404,259
<b>Redemption of 9,993,122 units</b>							
Capital Value	(662,758)	-	(662,758)	(336,554)	-	(336,554)	(999,312)
Element of loss	(55)	(2,755)	(2,810)	(1,446)	(4,431)	(5,877)	(8,687)
<b>Total payments on redemption of units</b>	(662,813)	(2,755)	(665,568)	(338,000)	(4,431)	(342,431)	(1,007,999)
<b>Total comprehensive income for the period</b>	-	5,355	5,355	-	5,504	5,504	10,859
Distribution during the period	(3,010)	(2,610)	(5,620)	(5,990)	(777)	(6,767)	(12,387)
	(3,010)	2,745	(265)	(5,990)	4,727	(1,263)	(1,528)
<b>Net assets at end of the period</b>	-	(10)	(10)	394,446	296	394,742	394,732
<b>Accounting income available for distribution</b>							
Relating to capital gains / (losses)	-			-			
Excluding capital gains / (losses)	2,600			1,073			
	2,600			1,073			
Distributions during the period	(2,610)			(777)			
Undistributed income carried forward	(10)			296			
<b>Undistributed income carried forward</b>							
Realised loss	(10)			(2,823)			
Unrealised income	-			3,119			
	(10)			296			
<b>Net assets value per unit at end of the period</b>	-			100.1039			

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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



**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from March 31, 2023 to May 3, 2023	For the period from May 24, 2023 to June 30, 2023	
	AL HABIB ISLAMIC MUNAFA PLAN I	AL HABIB ISLAMIC MUNAFA PLAN II	Total
Note	-----Rupees in '000 -----		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the period before taxation	5,355	5,504	10,859
Adjustments for:			
Mark-up on bank deposits	(5,901)	(432)	(6,333)
Profit on Government Ijarah Sukuks		(2,280)	(2,280)
Unrealised gain on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	-	(3,119)	(3,119)
	(546)	(327)	(873)
<b>Increase in assets</b>			
Investments - net	-	(380,471)	(380,471)
<b>Increase in liabilities</b>			
Payable to the Management Company	448	319	767
Payable to the Trustee	18	10	28
Payable to Securities and Exchange Commission of Pakistan	6	3	9
Accrued expenses and other liabilities	6,385	82	6,467
	6,857	414	7,271
Cash generated from / (used in) operating activities	6,311	(380,384)	(374,073)
Mark-up received on bank deposits	5,901	980	6,881
Profit on Government Ijarah Sukuks	(106)	(9,402)	(9,508)
Net cash generated from / (used in) operating activities	12,106	(388,806)	(376,700)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Receipts from issue of units	665,823	738,436	1,404,259
Payment against redemption of units	(665,568)	(342,431)	(1,007,999)
Distribution made during the period	(5,620)	(6,767)	(12,387)
Net cash (used in) / generated from financing activities	(5,365)	389,238	383,873
Net increase in cash and cash equivalents during the period	6,741	432	7,173
Cash and cash equivalents at the beginning of the period	-	-	-
Cash and cash equivalents at the end of the period	6,741	432	7,173

The annexed notes from 1 to 27 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Al Habib Islamic Munafa Fund (the Fund) was established under a Trust Deed executed between Al Habib Asset Management Limited as the Management Company, and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/AMCW/AMIMF/2022/95 dated October 11, 2022 and the Trust Deed was executed on November 17, 2022.
- 1.2** The Management Company of the Fund has been registered with the SECP as a Non-Banking Finance Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan.
- 1.3** The Fund is an Open-End Shariah compliant Collective Investment Scheme as per SECP's Circular No.3 of 2022 dated February 10, 2022 with Allocation Plans. The Allocation Plans under the Fund may have different Shariah compliant investment avenues and different maturity dates. The Allocation Plans under the Fund may have a set timeframe or perpetual.
- 1.4** The Fund has been categorized as a Shariah Compliant Fixed Return Scheme as per the criteria laid down by the Securities and Exchange Commission of Pakistan (SECP).
- 1.5** The Core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.
- 1.6** The Fund has launched two different plans; namely, Al Habib Islamic Munafa Fund Plan 1 (AHIMF Plan 1) and Al Habib Islamic Munafa Fund Plan 2 (AHIMF Plan 2). The units of these plans were initially offered to public from March 29, 2023 till April 04, 2023 and May 24, 2023 till June 08, 2023, respectively.

**AHIMF Plan 1 has been matured as on May 03, 2023.**

- 1.7** Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund. The Fund is not listed on Pakistan Stock Exchange.
- 1.8** Pacra Credit Rating Company Limited has assigned an asset manager quality rating of 'AM2' (PACRA) to the Management Company as on June 30, 2023.

**2 BASIS OF PREPARATION**

**2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

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

**2.2 Basis of measurement**

These financial statements have been prepared under the historical cost basis, unless otherwise stated.

**2.3 Functional and presentation currency**

These financial statements are presented in Pakistan rupees ('Rupees' or 'Rs'), which is the Fund's functional and presentation currency.

**2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

#### Classification and valuation of investments

For details please refer notes 4.2.1.1 and 6 to these financial statements.

#### Impairment of financial assets

For details please refer notes 4.2.1.2 to these financial statements.

### 3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

#### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the period ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or do not have significant impact on the financial statements other than certain additional disclosures.

	Effective date (annual periods beginning on or after)
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022

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

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

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

	Effective date (annual periods beginning on or after)
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

#### **4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

##### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

##### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

###### **4.2.1 Financial assets**

###### **4.2.1.1 Classification and valuation of investments**

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit or loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

<b>Financial assets at FVTPL</b>	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.
<b>Financial assets at amortised cost</b>	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in income statement.

###### **4.2.1.2 Impairment of financial assets**

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly bank balances, investments and other receivables.

**4.2.1.3 Regular way purchase and sale of financial asset**

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

**4.2.1.4 Derecognition**

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

**4.2.2 Financial liabilities**

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

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

**4.2.3 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

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

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

The Fund does not account for deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing in cash at least 90% of its accounting income for the period as reduced by capital gains, whether realised or unrealised, to its unit holders.

**4.5 Proposed distributions**

Distributions declared subsequent to the period end reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such distributions are declared.

**4.6 Issuance 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 day. The offer price represents the net assets 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.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net asset value per unit**

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

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / profit / Government securities, return on investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income in equity is recognised when the Fund's right to receive the dividend is established.

**4.10 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
Note		Rupees in '000		
<b>5 BANK BALANCES</b>				
in saving accounts	5.1	6,741	432	7,173
		6,741	432	7,173

5.1 These carries mark-up at the rates ranging between 18% to 21% per annum for all plans. These are held with Bank Al Habib Limited, a related party.

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
Note		Rupees in '000		
<b>6 INVESTMENTS</b>				
Financial assets classified at fair value through profit or loss				
Government Ijarah Sukuk	6.1	-	383,590	383,590
		-	383,590	383,590

6.1 Investment carried at fair value through profit or loss

Name of Instrument	Purchases made during the period	Sales made during the period	Total units as at June 30, 2023	Total carrying value as at June 30, 2023	Total market value as at June 30, 2023	Unrealised appreciation on re-measurement of investment	Market value as a percentage of net assets	Market value as a percentage of total value of Investment
<b>Plan 2</b>								
GOP Ijara Sukuk 1 Year FRR (22-05-2023)	3,000	-	78	82,970	83,590	620	21%	22%
GOP Ijara Sukuk 1 Year FRR (17-04-2023)	835	-	22	297,501	300,000	2,499	76%	78%
	3,835	-	100	380,471	383,590	3,119	97%	100%
Total as at June 30, 2023	3,835	-	100	380,471	383,590	3,119	97%	100%

**7 PROFIT / MARK-UP RECEIVABLE**

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
		Rupees in '000		
Profit / mark-up receivable on Sukuk Certificates		-	10,586	10,586
Savings deposits		106	548	654
		106	11,134	11,240

**8 PAYABLE TO THE MANAGEMENT COMPANY**

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
		-----Rupees in '000 -----		
	Note			
Remuneration payable to the Management Company	8.1	329	257	586
Sindh Sales Tax payable on Management Company's remuneration	8.2	43	33	76
Allocation of expenses related to registrar services, accounting, operation and valuation services	8.3	76	29	105
		448	319	767

**8.1** As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme (CIS) within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the scheme. The Management has charged its remuneration at rate ranging from 1% to 10% of the gross earning of the Fund, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.

**8.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

**8.3** As per Regulation 60(3) of NBFC Regulations, fees and expenses related to registrar services, accounting, operation and valuation services related to CIS are chargeable to the CIS. During the period, the fee has been charged at the rate ranging from 0.1% to 2% incase of AHIMF Plan 1 and AHIMF Plan 2.

**9 PAYABLE TO THE TRUSTEE (CDC)**

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
		-----Rupees in '000 -----		
	Note			
Remuneration payable to the Trustee	9.1	16	9	25
Sindh Sales Tax payable on remuneration of the Trustee		2	1	3
		18	10	28

**9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

**9.2** As per the Trust Deed and Offering Document, the trustee fee shall be charged in accordance to the tariff flat rate of 0.075% pa of net assets.

**9.3** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

**10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
		-----Rupees in '000 -----		
	Note			
Annual fee payable	10.1	6	3	9

**10.1** As per Regulation 62 of NBFC Regulations, an Asset Management Company managing a Collective Investment Scheme shall pay SECP an annual fee of 0.02% of the average annual net assets. The fee is payable annually in arrears.

**11 ACCRUED EXPENSES AND OTHER LIABILITIES**

		June 30, 2023		
		IMF Plan 1	IMF Plan 2	Total
		-----Rupees in '000 -----		
Auditors' remuneration payable		69	-	69
Withholding tax		313	37	350
Capital gains tax payable		73	45	118
Other payables		5,930	-	5,930
		6,385	82	6,467



**12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023.

**13 NUMBER OF UNITS IN ISSUE**

	June 30, 2023		
	IMF Plan 1	IMF Plan 2	Total
	-----Rupees in '000-----		
Units issued	6,627,580	7,308,863	13,936,443
Less: Units redeemed	(6,627,580)	(3,365,542)	(9,993,122)
Total units in issue at the reporting date	-	3,943,320	3,943,320

**14 AUDITORS' REMUNERATION**

	For the period from March 31, 2023 to May 3, 2023	For the period from May 24, 2023 to June 30, 2023	
	IMF Plan 1	IMF Plan 2	Total
	-----Rupees in '000-----		
Annual audit fee	59	-	59
Fee for half yearly review	-	-	-
Out of pocket expenses	10	-	10
	69	-	69

**15 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 ninety (90%) of its accounting income for the period, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders in cash. The Fund is also exempt from section 113 (minimum tax) provision under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

During the period ended June 30, 2023, the Fund has distributed by way of cash and bonus units as dividend, as the case maybe, at minimum of ninety (90%) of accounting income for the period, as reduced by capital gains, whether realised or unrealised to the unit holders. Accordingly, no provision for taxation has been recognized in these financial statements.

**16 EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

	June 30, 2023						
Particular	IMF Plan 1			IMF Plan 2			Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
<b>Financial assets</b>							
Bank balances	-	6,741	6,741	-	432	432	7,173
Investments	-	-	-	383,590	-	383,590	383,590
	-	6,741	6,741	383,590	432	384,022	390,763
<b>Financial liabilities</b>							
Payable to the Management Company	-	448	448	-	319	319	767
Payable to the Trustee	-	18	18	-	10	10	28
Payable to Securities and Exchange Commission of Pakistan	-	6	6	-	3	3	9
Accrued expenses and other liabilities	-	5,989	5,989	-	-	-	5,989
	-	6,461	6,461	-	332	332	6,793

18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES/ CONNECTED PERSONS

Related parties/ Connected persons include Al Habib Fund Managers Limited being the Management Company, Bank Al Habib Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively, as disclosed in the offering document of the fund.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the financial statements are as follows:

	For the period from March 31, 2023 to May 3, 2023	For the period from May 24, 2023 to June 30, 2023
	AL HABIB ISLAMIC MUNAFI PLAN I	AL HABIB ISLAMIC MUNAFI PLAN II
	-----Rupees in '000 -----	
<b>18.1 Transactions during the period</b>		
<b>Al Habib Asset Management Limited - Management Company</b>		
Remuneration of the Management Company	329	257
Sindh Sales Tax on remuneration of the Management Company	43	33
Allocation of expenses related to registrar services, accounting, operation and valuation services	76	29
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	16	9
Sindh Sales Tax on remuneration of the Trustee	2	1
<b>Bank Al Habib Limited - Sponsor</b>		
Bank charges	5	(5)
Mark-up on bank deposits	5,901	432
<b>Other Connected Persons</b>		
Purchase of units of the plan (3,337,530 units)	334,400	-
Purchase of units of the plan (3926,355 units)	-	394,227
<b>Directors and Key Executives</b>		
Purchase of units of the plan (17,410 units)	-	1,746,276

18.2 Balances outstanding as at period end

	June 30, 2023	
	AL HABIB ISLAMIC MUNAFI PLAN I	AL HABIB ISLAMIC MUNAFI PLAN II
<b>Al Habib Asset Management Limited - Management Company</b>		
Remuneration payable to the Management Company	329	257
Sindh Sales Tax payable on remuneration of the Management Company	43	33
Allocation of expenses related to registrar services, accounting, operation and valuation services	76	29
<b>Bank Al Habib Limited - Sponsor</b>		
Bank balances	6,741	432
Profit Receivable	-	-

	June 30, 2023	
	AL HABIB ISLAMIC MUNAFA PLAN I	AL HABIB ISLAMIC MUNAFA PLAN II
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Trustee fee payable	16	9
Sindh Sales Tax payable on remuneration of the Trustee	2	1
<b>Other Connected Persons</b>		
Units held as at June 30, 2023 ( 3,943,321 Units)	-	394,742,151
<b>Directors and Key Executives</b>		
Units held as at June 30, 2023 (17,410 units)	-	1,746,276

## 19 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 19.1 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 in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the SECP.

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

#### 19.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### 19.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

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

As at the reporting date, the fund does not hold any variable profit based investment except balances with banks exposing the fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in interest rate at period end with all other variables held constant, the net income for the period and the net assets would be higher / lower by Rs. 0.072 million.

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

The Fund is exposed to fair value interest rate risk for investment in government securities.

In case of 100 basis points increase in interest rates on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would have been lower / higher by Rs. 3.83 million

##### c) Fair value interest rate risk

Yield / interest rate sensitivity position for financial instrument is as follows:

AL HABIB ISLAMIC MUNAFA PLAN I							AL HABIB ISLAMIC MUNAFA PLAN II						
June 30, 2023							June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total	
		Upto three months	More than three months and upto one year	More than one year				Upto three months	More than three months and upto one year	More than one year			
	%	Rupees in '000					%	Rupees in '000					
On-balance sheet financial instruments													
Financial assets													
Bank balances	18%-21%	6,741	-	-	-	6,741	18%-21%	432	-	-	-	-	432
Investments - net		-	-	-	-	-		-	-	-	383,590	383,590	
Sub total		6,741	-	-	-	6,741		432	-	-	383,590	384,022	
Financial liabilities													
Payable to the Management Company		-	-	-	448	448		-	-	-	319	319	
Payable to the Trustee		-	-	-	18	18		-	-	-	10	10	
Payable to Securities and Exchange Commission of Pakistan		-	-	-	6	6		-	-	-	3	3	
Accrued expenses and other liabilities		-	-	-	5,989	5,989		-	-	-	-	-	
Sub total		-	-	-	6,461	6,461		-	-	-	332	332	
On-balance sheet gap (a)		6,741	-	-	(6,461)	280		432	-	-	383,258	383,690	
Off-balance sheet financial instruments													
Off-balance sheet gap (b)		-	-	-	-	-		-	-	-	-	-	
Total interest rate sensitivity gap (a) + (b)		6,741	-	-	(6,461)	280		432	-	-	383,258	383,690	
Cumulative interest rate sensitivity gap		6,741	-	-	-	-		432	-	-	-	-	

### 19.1.3 Other price risk

Price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. As at June 30, 2023, the Fund do not hold any financial instrument which exposes the Fund to other price risks.

### 19.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances (financial institutions) and receivables from banks.

#### Management of credit risk

The Fund keeps deposits with reputed financial institutions. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein. The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

#### 19.2.1 The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2023

Bank	IMF Plan 1	IMF Plan 2
----- Rupees in 000 -----		
Bank Al Habib Limited	6,741	432
	6,741	432

#### 19.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

##### Rating by rating category

A-1+

The maximum exposure to credit risk other the bank balance as disclosed above as at June 30, 2023 is the carrying amount of the financial assets of the Fund. None of these assets are "impaired" nor "past due but not impaired".

##### Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's portfolio of financial instruments is mainly concentrated in bank balances. The management believes that these banks are reputed institution.

### 19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

#### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed off.

The Fund has the ability to borrow, with prior approval of trustee, for meeting redemption requests. The maximum amount available to the Fund from borrowings is limited to the extent of 15% of total assets at the time of borrowing with repayment within 90 days of such borrowings. No such borrowings have arisen during the year.

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 then in issue. The Fund did not withhold any redemptions during the year.

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

Particulars	June 30, 2023					
	AL HABIB ISLAMIC MUNAFA PLAN I			AL HABIB ISLAMIC MUNAFA PLAN II		
	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year
Rupees in '000						
<b>Financial liabilities</b>						
Payable to the Management Company	448	-	-	319	-	-
Payable to the Trustee	18	-	-	10	-	-
Payable to Securities and Exchange Commission of Pakistan	6	-	-	3	-	-
Accrued expenses and other liabilities	6,385	-	-	82	-	-
<b>Total Liabilities</b>	<b>6,857</b>	<b>-</b>	<b>-</b>	<b>414</b>	<b>-</b>	<b>-</b>

### 20 UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by the net assets attributable to unitholders / redeemable units. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unitholders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unitholders' fund. Unitholders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unitholders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

### 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Consequently, differences can arise between carrying amount and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		June 30, 2023						
		AL HABIB ISLAMIC MUNAFA PLAN I						
		Carrying amount			Fair value			
Particulars		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000						
Financial assets measured at fair value	21.1							
Investments		-	-	-	-	-	-	-
		-	-	-	-	-	-	-
Financial assets measured at amortized cost	21.2							
Bank balances		-	6,741	6,741				
		-	6,741	6,741				
Financial liabilities measured at amortized cost	21.2							
Payable to the Management Company		-	448	448				
Payable to the Trustee		-	18	18				
Payable to Securities and Exchange Commission of Pakistan		-	6	6				
Accrued expenses and other liabilities		-	5,989	5,989				
		-	6,461	6,461				

		June 30, 2023						
		AL HABIB ISLAMIC MUNAFA PLAN II						
		Carrying amount			Fair value			
Particulars		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000						
Financial assets measured at fair value	21.1							
Investments		383,590	-	383,590	-	383,590	-	383,590
		383,590	-	383,590	-	383,590	-	383,590
Financial assets measured at amortized cost	21.2							
Bank balances		-	432	432				
		-	432	432				
Financial liabilities measured at amortized cost	21.2							
Payable to the Management Company		-	319	319				
Payable to the Trustee		-	10	10				
Payable to Securities and Exchange Commission of Pakistan		-	3	3				
Accrued expenses and other liabilities		-	-	-				
		-	332	332				

**21.1 Valuation techniques**

For level 2 investments at fair value through profit or loss in units of mutual funds, Fund uses PKISRV rates which are taken from MUFAP, for the purpose of computation of Market value at the reporting date.

- 21.2** The Fund has not disclosed the fair values of the financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

**22 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualification	Experience in years
1	Mr. Kashif Rafi	Chief Executive Officer Chief Operating Officer & Company Secretary	MBA - IBA	22
2	Mr. Zahid Hussain Vasanani		CA- Affiliate	23
3	Mr. Ahmed Abbas	Fund Manager	MBA, MCS	15
4	Mr. Muhammad Shayan	Manager Investments	MBA & CFA Level II	5
5	Mr. Talha A.Siddiqui	Fund Manager	MA in Economics	10
6	Mr. Umar Bin Hassan	Manager Risk & Research	MS - IBA	5

**23 PATTERN OF UNITHOLDING**

Category	Number of unit holders	Number of units held	Investment amount	Percentage
----- Rupees in '000 -----				
<b>Plan 1</b>				
Individuals	-	-	-	0%
Associated Companies and Directors	-	-	-	0%
Retirement Funds	-	-	-	0%
Others	-	-	-	0%
	-	-	-	0%
<b>Plan 2</b>				
Individuals	9	435,344	43,580	11.04%
Associated Companies and Directors	1	3,490,567	349,419	88.52%
Retirement Funds	-	-	-	0.00%
Others	4	17,410	1,743	0.44%
	10	3,943,321	394,742	100%

**24 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Two meetings of the Board of Directors were held on April 14, 2023 and May 16, 2023 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

S.No.	Particular	Number of meetings			Meeting not attended
		Held	Attended	Leave granted	
Name of Director					
1	Mr. Abbas D.Habib	4	3	1	96th Meeting
2	Mr. Mansoor Ali Khan	4	4	0	-
3	Mr. Saeed Allawala	4	4	0	-
4	Ms. Zarine Aziz	4	3	1	96th Meeting
5	Mr. Imran Azim	4	2	2	95th and 96th Meeting
6	Mr. Kashif Rafi	4	4	0	-

**25 TOTAL EXPENSE RATIO**

In accordance with the directive 23 of 2016, dated July 20, 2016, issued by the Securities and Exchange Commission of Pakistan, the total expense ratio of the Fund for the period ended June 30, 2023 is 0.22%.



**26 GENERAL**

**26.1** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**27.2** There is no comparative figure to be reported, as this is the first period of operation.

**27 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 17 August, 2023 by the Board of Directors of the Management Company.

**For AL Habib Asset Management Limited  
(Management Company)**

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**Chief Executive Officer**

---

**Chief Financial Officer**

---

**Director**

## ANNUAL FUND MANAGER REPORT FINANCIAL YEAR 2023

### Plan Objective

The "AL Habib Islamic Munafa Fund - Plan 2 (AHIMFP2) is Allocation Plan under "AL Habib Islamic Munafa Fund (AHIMF)" with an objective to provide investors with a competitive rate of return, for fixed tenure by investing primarily in Shariah compliant Instruments for a specific duration.

### Plan Objective Achieved:

The Plan has achieved its stated objective.

### Fund Performance Review:

The return of the plan during the period was 2.04%.

### Strategies and Policies Employed during the period under review:

The AHIMFP2 maintained the strategy to maintain exposure in high stability and low volatility avenues as mentioned in the objectives of the Plan, wherein major portion of investment was held with GoP Ijarah Sukuks.

### Fund Description

<b>Fund Type &amp; Category</b>	Open End - Fixed Rate/ Return Scheme	<b>External Auditors</b>	BDO Ebrahim & Co., Chartered Accountants
<b>Launch Date</b>	May 24, 2023	<b>Management Fee</b>	10% of the annual gross earnings of the Scheme
<b>Benchmark</b>	Average deposit rate of comparable period of the plan(s) of three (3) AA rated Shariah compliant scheduled Banks as selected by MUFAP at the time of Plan launch	<b>Contingent Load</b>	Contingent Load will be charged which shall commensurate with net loss incurred due to early redemption.
<b>Pricing Mechanism</b>	Forward Pricing	<b>Minimum Investment</b>	Rs. 1,000,000
<b>Risk Profile</b>	Low (Principal at low risk)	<b>Dealing Days/Timings</b>	Monday to Friday 9:00 am to 4:30 pm
<b>Trustee</b>	Central Depository Company of Pakistan Limited.	<b>Fund Stability Rating</b>	"AM2+" by PACRA
<b>Maturity</b>	May 8, 2024		

### Market Review:

In Fiscal Year 2023, Pakistan's economy grew by 0.29% against growth of 5.97% in FY'22. Country faced many challenges on both economic and political front, which led to sharp increase in commodities prices. Food and energy import also contributed to increase in inflation.

The headline inflation (CPI) stood at 29.4% in Jun'23, against 21.3% in Jun'22. With this, average inflation for FY23 clocked-in at 29.2% compared to 12.2% in FY22. The YoY uptick in CPI during Jun'23 was led by Food (39.5% YoY), Transport (20.3% YoY), Housing (11.6% YoY), Restaurants (36.4% YoY), Alcoholic Beverages & Tobacco (109.5% YoY), House Hold Equipment (41.6% YoY), Miscellaneous (40.1% YoY), Recreation & Culture (68.0% YoY) and Clothing (21.0% YoY).

This increase in inflation led SBP to tighten the monetary policy. During the year, SBP increased policy rate by a total of 825 bps in FY23, taking it to 22%. According to MPC, increase in the policy rate is essential to uphold a positive real interest rate and anchor moderating inflation expectations. It aligns with the objective of reducing inflation towards the medium-term target range of 15-18% by the end of FY24.

Additionally, Pakistan's total foreign exchange reserves stood at USD 9.18 billion by the end of the fiscal year. Low reserves played a role in the depreciation of the Pakistani Rupee against the US Dollar, with the exchange rate closing at 285.99 PKR/USD at the end of year. Pakistan Current Account also decreased by 81% to USD 2.9bn compared with a deficit of USD 15.2bn during the same period last year. With this, the total imports reached at USD 56bn, down 26% YoY. Remittances also went down by 13% YoY to USD 24.8bn as compared to 28.5bn in same period last year.

Policy Rate		
Date	Policy Rate (%)	Change (Bps)
April 5, 2023	21	100
June 27, 2023	22	100

**Asset Allocation of Fund**

Particulars	As at June 30, 2023
Cash	0.11%
GOP Ijarah Sukuk	97.07%
Others	2.82%

**Breakdown of Unit Holdings By Size**

Size of Unit Holding (Units)	# Of Unit Holders
10001-50000	9
100001-500000	2
500001-1000000	2
1000001-5000000	1
<b>Grand Total</b>	<b>14</b>

**Income Distribution**

AHIMFP2 made a total distribution of Rs. 1.75 during FY23 in the form of dividend, the detail of which is given below:

Month	Cum NAV Rs.	EX-NAV Rs.	Distribution Rs.
Jun-23	101.7463	100.00	1.7463

**During the period under question:**

There has been no significant change in the state of affairs of the Plan. Al Habib Islamic Munafa Fund Plan 2 does not have any soft commission arrangement with any broker in the industry.

**Sales and Redemptions of Units**

During the year, 10,674,405 units valued of Rs. 1.08 Bn. were sold while 3,365,542 units valued Rs. 342.38 Mn. were redeemed resulting in to a net sale of 7,308,863 units of the value of Rs. 738.35 Mn.

**Unit Holders Pattern**

For the unit holders pattern as on June 30, 2023, please refer notes to the account of the Annual Accounts 2023.

**Plan Performance at a Glance**

	2023
Net Assets as at June 30 (Rs. in Bn.)	395
NAV per unit as at June 30 (Rs. )	100.1040
Distribution during the year ended June 30 (Rs. )	1.75
Annual Return	18.27%
Benchmark	7.16%

**Disclosure:**

There are no material circumstances affecting unit holder interests.

**AL HABIB PENSION FUND**  
**Annual Report**  
For the year ended June 30, 2023

## FUND'S INFORMATION

### Management Company

AL Habib Asset Management Limited

### Board of Directors of the Management Company

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

### Chief Financial Officer

Mr. Abbas Qurban

### Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasnani

### Audit Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

### Human Resource Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

### Auditors

BDO Ebrahim & Co.  
Lakson Square Building No. 1, 9th Floor,  
Block C Sarwar Shaheed Rd, Civil Lines,  
Karachi, Karachi City, Sindh 74200

### Legal Advisor

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

### Trustee

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

### Rating

AM2+ Management Company Quality  
Rating Assigned by PACRA.

### Bankers to the Fund

Bank AL Habib Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.





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

The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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





S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on period-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("Al Habib Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.



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

The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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



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

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

**Report on other legal and regulatory requirements**

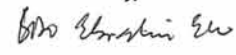
Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: August 30, 2023

UDIN: AR202310166DEc7srN8u

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	Rupees in '000				
ASSETS					
Bank balances	5	384	9,450	60,855	70,689
Investments	6	34,607	66,218	102,687	203,512
Divident and markup receivable	7	1,845	1,962	891	4,697
Advance and deposits		226	233	147	606
TOTAL ASSETS		37,062	77,862	164,580	279,504
LIABILITIES					
Payable to the Management Company	8	-	455	697	1,152
Payable to the Trustee (CDC)	9	55	119	103	277
Payable to Securities and Exchange Commission of Pakistan	10	14	20	20	53
Payable against purchase of securities		-	-	29,698	29,698
Accrued expenses and other liabilities	11	109	89	113	311
TOTAL LIABILITIES		178	683	30,631	31,491
NET ASSETS		36,884	77,179	133,949	248,013
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)					
		36,884	77,179	133,949	248,013
CONTINGENCIES AND COMMITMENTS					
12	Numbers				
Number of units in issue	13	357,416	657,296	1,145,516	
		Rupees			
Net assets value per unit		103.197	117.421	116.94	

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

# **INCOME STATEMENT** **FOR THE YEAR ENDED JUNE 30, 2023**

		For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		Rupees in '000			
<b>Income</b>					
Capital (loss) / gain on sale of investments - net		(671)	94	(56)	(632)
Income from Pakistan Investment Bonds		-	3,290	-	3,290
Income from Market Treasury Bills		-	4,461	8,472	12,933
Divident income		3,028	-	-	3,028
Mark-up on bank deposits		1,505	1,611	1,969	5,085
		3,862	9,457	10,385	23,704
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		(2,502)	(87)	(136)	(2,725)
		1,360	9,370	10,249	20,979
<b>Expenses</b>					
Remuneration to the Management Company	8.1	-	403	617	1,019
Sindh Sales Tax on remuneration to the Management Company	8.2	-	52	80	132
Remuneration to the Trustee	9.2	71	139	123	333
Sindh Sales Tax on remuneration to the Trustee	9.3	9	14	19	42
Annual fee to the Securities and Exchange Commission of Pakistan	10.1	13	20	20	53
Auditors' remuneration	14	77	76	77	230
Securities transaction costs		131	2	1	135
Printing charges		22	22	22	65
Bank charges and settlement charges		18	11	9	38
		341	739	968	2,048
Net income for the period before taxation		1,019	8,631	9,281	18,931
Taxation	15	-	-	-	-
Net income for the period after taxation		1,019	8,631	9,281	18,931
Earnings per unit	16				

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

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- Rupees in '000 -----			
Net income for the period after taxation	1,019	8,631	9,281	18,931
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,019</u>	<u>8,631</u>	<u>9,281</u>	<u>18,931</u>

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub Fund	Total
-----Rupees in '000-----				
Issue of units*	35,875	76,362	136,376	248,613
Redemption of units*	(11)	(7,813)	(11,708)	(19,532)
	35,864	68,549	124,668	229,081
(Loss) / gain on sale of investments - net	(671)	94	(56)	(632)
Unrealised diminution on 're-measurement of investments classified as financial assets at fair value through profit or loss' - net	(2,502)	(87)	(136)	(2,725)
Other income for the period - net	4,192	8,623	9,473	22,288
<b>Total comprehensive income for the period</b>	1,020	8,630	9,281	18,931
<b>Net assets at the end of the period</b>	36,884	77,179	133,949	248,012

\* Total number of units issued and redeemed during the period is disclosed in note 13 of these financial statements.

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director



**CASH FLOW STATEMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note	Rupees in '000			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	1,019	8,631	9,281	18,931
Adjustments for:				
Mark-up on bank deposits	(1,505)	(1,611)	(10,441)	(13,558)
Income from Pakistan Investment Bonds	-	(3,290)	-	(3,290)
Income from Market Treasury Bills	-	(4,461)	-	(4,461)
Divident income	(3,028)	-	-	(3,028)
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net	2,502	87	136	2,725
	(1,012)	(644)	(1,024)	(2,680)
<b>Increase in assets</b>				
Advance and deposits	(226)	(233)	(147)	(606)
	(226)	(233)	(147)	(606)
<b>Increase in liabilities</b>				
Payable to the Trustee	55	119	103	277
Payable to Securities and Exchange Commission of Pakistan	14	20	20	53
Accrued expenses and other liabilities	109	89	113	311
	178	228	236	642
Cash used in operating activities	(1,060)	(649)	(935)	(2,644)
Mark-up received on bank deposits	1,403	1,611	10,247	13,261
Income from Pakistan Investment Bonds	-	3,290	-	3,290
Income from Market Treasury Bills	-	2,954	-	2,954
Dividend received	1,286	-	-	1,286
Net amount received / (paid) on purchase and sale of investments	(37,109)	(66,305)	(73,125)	(176,539)
Net cash used in operating activities	(35,480)	(59,099)	(63,813)	(158,393)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	35,875	76,362	136,376	248,613
Payment against redemption of units	(11)	(7,813)	(11,708)	(19,532)
Net cash generated from financing activities	35,864	68,549	124,668	229,081
Net increase in cash and cash equivalents during the period	384	9,450	60,855	70,689
Cash and cash equivalents at the beginning of the period	-	-	-	-
Cash and cash equivalents at the end of the period	384	9,450	60,855	70,689

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

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Al Habib Pension Fund (the Fund) was established under a Trust Deed executed between Al Habib Asset Management Limited as the Management Company, and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/AMCW/AMIMF/2022/95 dated October 11, 2022 and the Trust Deed was executed on November 17, 2022.
- 1.2** The Management Company of the Fund is registered with the SECP as a Non-Banking Finance Company (NBFC) under the Non Banking Finance-Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan
- 1.3** The Fund is an open-end fixed return Fund that aims to provide fixed returns to its unitholders. It shall offer units via fixed return plans. These plans are term-based, may be offered for a limited subscription period. The Fund shall offer various allocation plans based on their structure of fixed maturity or perpetual (subject to approval of SECP) investing in the investable avenues as defined in the Offering Document of the Fund.
- 1.4** The Fund has been categorised as a money market scheme as per the criteria laid down by the SECP for categorisation of open-end Collective Investment Schemes (CISs).
- 1.5** The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.
- 1.6** The Fund consists of three sub-funds namely, AL Habib Pension Fund, Equity Sub-Fund (Equity Sub-Fund), AL Habib Pension Fund, Debt Sub-Fund (Debt Sub-Fund) and AL Habib Pension Fund, Money Market Sub-Fund (Money Market Sub-Fund) (collectively the "Sub-Funds"). Investment policy for each of the sub-funds is as follows:

**1.6.1 AL Habib Pension Fund - Equity Sub-Fund (AHAMPF - ESF)**

The investment objective of the Equity Sub Fund of the Pension Fund is to earn returns from investments in Pakistani Capital Markets. Assets of Equity Sub Fund shall be invested in equity securities which are listed on Pakistan Stock Exchange (PSX) or for the listing of which an application has been approved by PSX and Equity Sub Fund shall be eligible to invest in units of Real Estate Investment Trusts and Exchange Traded Funds provided that entity/sector/group exposure limits as prescribed are complied with at least ninety percent (90%) of Net Assets of Equity Sub Fund shall remain invested in listed equity securities during the year based on rolling average investment of last ninety (90) days calculated on daily basis.

**1.6.2 AL Habib Pension Fund - Debt Sub-Fund (AHAMPF - DSF)**

The investment objective of the Debt Sub Fund is to earn returns from investments in debt markets of Pakistan, thus incurring a relatively lower risk than equity sub fund. The investment limits of the Debt Sub Fund are determined by the Commission. The current investment policy/limits for Debt Sub Fund as stated below: The Debt Sub Fund shall consist of government securities, placement in the banks, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, TFC / Sukuk or any other mode of placement, deposits/placements with any other approved debt/money market security issued from time to time.

**1.6.3 AL Habib Pension Fund - Money Market Sub-Fund (AHAMPF - MMSF)**

The investment objective of the Money Market Sub Fund is to earn returns from investments in Money Markets of Pakistan, thus incurring a relatively lower risk than debt sub fund. The investment limits of the Money Market Sub Fund are determined by the Commission. The current investment policy/limits for money market sub-fund as stated below investment avenues - government securities, cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM) or any other mode of placement, TDRs, reverse repo;

- 1.7** The Fund offers four types of allocation schemes, as prescribed by the SECP under VPS Rules 2005 vide its Circular no. 36 of 2009 dated December 10, 2009, to the participants of the Fund, namely High Volatility, Medium Volatility, Low Volatility and Lower Volatility. The participant has an option to suggest a minimum percentage of allocation to the above allocation schemes (subject to the minimum percentages prescribed in the offering document). Based on the minimum allocation, the Funds are allocated to the above stated Sub-Funds. The allocation to the sub-funds has to be done at the date of the opening of the participant's pension account and on an anniversary date thereafter.
- 1.8** PACRA Credit Rating Company Limited has assigned an asset manager quality rating of 'AM2' (stable outlook) to the Management Company as on June 30, 2023.

- 1.9** Title to the assets of the Fund are held in the name of the Central Depository Company of Pakistan Limited as the Trustee of the Fund.

## **2 BASIS OF PREPARATION**

### **2.1 Statement of compliance**

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

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

### **2.2 Basis of measurement**

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values.

### **2.3 Functional and presentation currency**

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

### **2.4 Use of estimates and judgments**

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

Classification and measurement of financial assets and financial liabilities

For details please refer notes 4.2.1.1 and 6 to these financial statements.

Impairment of financial assets

For details please refer notes 4.2.2 to these financial statements.

## **3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS**

### **3.2 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023**

The following standards, amendments and interpretations are effective for the period ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or do not have significant impact on the financial statements other than certain additional disclosures.

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework	January 01, 2022
Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use	January 01, 2022
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Certain annual improvements have also been made to a number of IFRSs.	

### **3.3 New accounting standards, amendments and interpretations that are not yet effective**

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

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

## **4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

#### 4.2.1 Financial assets

##### 4.2.1.1 Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit and loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

**Financial Assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

**Financial Assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in income statement.

##### 4.2.1.2 Regular way purchase and sale of financial asset

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

##### 4.2.1.3 Derecognition

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

#### 4.2.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly investment, deposits, loans, advances, other receivables and bank balances.

#### 4.2.3 Financial liabilities

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

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

#### 4.2.4 Offsetting of financial assets and liabilities

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

### 4.3 Provisions

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

### 4.4 Taxation

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

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

### 4.5 Proposed distributions

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such distributions are declared.

### 4.6 Issuance 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 day. The offer price represents the net assets 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.

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

### 4.7 Element of income

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

### 4.8 Net asset value per unit

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

### 4.9 Revenue recognition

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / profit / return on Government securities, bank profits and investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.

### 4.10 Transactions with related parties / connected persons

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

		June 30, 2023			
	Note	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Rupees in '000					
<b>5 BANK BALANCES</b>					
in saving accounts	5.1	384	9,450	60,855	70,689
		384	9,450	60,855	70,689

- 5.1** These carries mark-up at the rates ranging between 15.25% per annum for all sub funds. This includes an amount of Rs 3.219 million, Rs 1.078 million and Rs 1.974 million in Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund respectively, held with Bank Al Habib Limited, a related party.

		June 30, 2023			
	Note	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Rupees in '000					
Financial assets classified at fair value through profit or loss					
Listed equity securities		34,607	-	-	34,607
Market treasury bills		-	66,218	102,687	168,905
Pakistan investment bond		-	-	-	-
GOP Ijara sukuku		-	-	-	-
	6.1	34,607	66,218	102,687	203,512

#### 6.1 Financial assets at fair value through profit or loss - Listed equity securities

Shares of listed companies - Fully paid up ordinary shares of Rs. 10 each, unless stated otherwise:

Name of the investee companies (Sector wise)	Purchased during the period	Bonus received during the period	Sold during the period	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised (diminution) / appreciation on remeasurement of investments	Market value as a percentage of total investments	Market value as a percentage of net assets
<b>CEMENT</b>									
Cherat Cement Company Limited	10,000	-	2,000	8,000.00	965	962	(3)	2.61%	2.78%
Attock Cement Pakistan Limited	5,000	-	-	5,000.00	400	414	14	1.12%	1.20%
Fauji Cement Company Limited	120,000	6,250	30,000	96,250.00	1,273	1,132	(141)	3.07%	3.27%
Pioneer Cement Limited	10,500	-	-	10,500.00	884	910	26	2.47%	2.63%
Kohat Cement Limited	6,000	-	-	6,000.00	974	1,041	67	2.82%	3.01%
Lucky Cement Limited	5,000	-	1,800	3,200.00	1,602	1,671	69	4.53%	4.83%
Maple Leaf Cement Factory Limited	61,862	-	8,000	53,862.00	1,509	1,526	17	4.14%	4.14%
Bestway Cement Limited	4,500	-	-	4,500.00	626	653	27	1.77%	1.89%
					8,233	8,309	76	22.53%	24.02%
<b>COMMERCIAL BANKS</b>									
Habib Bank Limited	4,000	-	-	4,000.00	328	293	(35)	0.79%	0.85%
MCB Bank Limited	12,500	-	6,500	6,000.00	702	687	(15)	1.86%	1.99%
Faysal Bank Limited	37,000	-	-	37,000.00	1,046	747	(299)	2.03%	2.16%
Bank Alfalah Limited	35,000	-	9,000	26,000.00	832	791	(41)	2.14%	2.29%
Meezan Bank Limited	42,000	-	10,000	32,000.00	3,439	2,764	(675)	7.49%	7.99%
The Bank of Punjab	-	-	-	-	384	267	(117)	0.72%	0.77%
United Bank Limited	8,000	-	4,500	3,500.00	397	411	14	1.11%	1.19%
					7,128	5,960	(1,168)	16.14%	17.24%
<b>ENGINEERING</b>									
Mughal Iron & Steel Industries	17,500	-	2,500	15,000.00	872	727	(145)	1.97%	2.10%
					872	727	(145)	1.97%	2.10%
<b>FERTILIZER</b>									
Engro Fertilizer Limited	40,000	-	9,000	31,000.00	2,554	2,558	4	6.94%	7.39%
Fauji Fertilizer Company	28,000	-	8,000	20,000.00	2,016	1,969	(47)	5.34%	5.69%
Engro Corporation Limited	10,500	-	2,147	8,353.00	2,207	2,171	(36)	5.89%	6.27%
					6,777	6,698	(79)	18.17%	19.35%
<b>GLASS &amp; CERAMIC</b>									
Tariq Glass Industries Limited	14,000	2,250	3,000	13,250.00	1,136	902	(234)	2.45%	2.61%
					1,136	902	(234)	2.45%	2.61%



## AL HABIB PENSION FUND

Name of the investee companies (Sector wise)	Purchased during the period	Bonus received during the period	Sold during the period	As at June 30, 2023	Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised (diminution) / appreciation on re-measurement of investments	Market value as a percentage of total investments	Market value as a percentage of net assets
<b>TEXTILE COMPOSITE</b>									
Interloop Limited	20,000	-	-	20,000.00	802	705	(97)	1.91%	2.04%
					802	705	(97)	1.91%	2.04%
<b>OIL &amp; GAS MARKETING COMPANIES</b>									
Attock Petroleum Limited	4,000	1,000	2,000	3,000.00	931	901	(30)	2.44%	2.60%
Sui Northern Gas Pipelines Limited	25,000	-	7,000	18,000.00	713	709	(4)	1.92%	2.05%
					1,644	1,610	(34)	4.36%	4.65%
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>									
Mari Petroleum Company Limited	1,350	-	250	1,100.00	1,736	1,666	(70)	4.52%	4.81%
Oil & Gas Development Company Limited	28,000	-	12,000	16,000.00	1,228	1,248	20	3.38%	3.61%
Pak Oilfields Limited	13,000	-	8,000	5,000.00	2,074	2,009	(65)	5.45%	5.81%
Pakistan Petroleum Limited	35,500	-	14,000	21,500.00	1,340	1,272	(68)	3.45%	3.68%
					6,378	6,195	(183)	16.80%	17.91%
<b>PHARMACEUTICALS</b>									
Highnoon Laboratories	700	-	-	700.00	382	235	(147)	0.64%	0.68%
Abbott Lab (Pakistan) Limited	600	-	-	600.00	348	222	(126)	0.60%	0.64%
					730	457	(273)	1.24%	1.32%
<b>POWER GENERATION &amp; DISTRIBUTION</b>									
Hub Power Company Ltd	10,000	-	-	10,000.00	705	696	(9)	1.89%	2.01%
					705	696	(9)	1.89%	2.01%
<b>TECHNOLOGY &amp; COMMUNICATION</b>									
Avanceon Limited	10,000	1,500	2,000	9,500.00	626	418	(208)	1.13%	1.21%
Systems Limited	9,200	-	4,500	4,700.00	2,023	1,896	(127)	5.14%	5.48%
					2,649	2,314	(335)	6.27%	6.69%
<b>AUTOMOBILE ASSEMBLER</b>									
Millat Tractors Limited	400	88	400	88.00	55	34	(21)	0.09%	0.10%
					55	34	(21)	0.09%	0.10%
Total as at June 30, 2023					37,109	34,607	(2,502)	90.02%	96%

## 6.2 Government Securities - Market Treasury Bills

### 6.2.1 Debt Sub Fund

	Number of certificates							
Tenure	Face value			Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised diminution re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
	Purchases during the period	Sales / matured during the period	As at June 30, 2023					
-----Rupees in '000-----								
T- BILL 3 MONTHS (06-04-2023)	16,800	16,800	-	-	-	-	0%	0%
T- BILL 3 MONTHS (06-10-2022)	2,800	2,800	-	-	-	-	0%	0%
T- BILL 3 MONTHS (20-10-2022)	3,800	3,800	-	-	-	-	0%	0%
T- BILL 3 MONTHS (26-01-2023)	11,120	11,120	-	-	-	-	0%	0%
T- BILL 3 MONTHS (28-07-2022)	3,604	3,604	-	-	-	-	0%	0%
T-BILL 03 MONTHS (15-06-2023)	21,200	7,400	13,800	66,305	66,218	(87)	86%	100%
Total as at June 30, 2023	59,324	45,524	13,800	66,305	66,218	(87)	86%	100%

## 6.2.2 Money Market Sub Fund

	Number of certificates							
Tenure	Face value			Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised diminution on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
	Purchases during the period	Sales / matured during the period	As at June 30, 2023					
-----Rupees in '000-----								
T- BILL 3 MONTHS (03-11-2022)	7,643	7,643	-	-	-	-	0%	0%
T- BILL 3 MONTHS (06-04-2023)	13,600	13,600	-	-	-	-	0%	0%
T- BILL 3 MONTHS (06-10-2022)	10,000	10,000	-	-	-	-	0%	0%
T- BILL 3 MONTHS (20-10-2022)	2,400	2,400	-	-	-	-	0%	0%
T- BILL 3 MONTHS (26-01-2023)	12,700	12,700	-	-	-	-	0%	0%
T- BILL 3 MONTHS (28-07-2022)	10,528	10,528	-	-	-	-	0%	0%
T-BILL 03 MONTHS (15-06-2023)	21,400	-	21,400	102,823	102,687	(136)	77%	100%
Total as at June 30, 2023	78,271	56,871	21,400	102,823	102,687	(136)	77%	100%

## 6.3 Government Securities - Pakistan Investment Bonds

## 6.3.1 Debt Sub Fund

	Number of certificates							
Tenure	Face value			Carrying value as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation on re-measurement of investments	Market value as a percentage of net assets	Market value as a percentage of total investments
	Purchases during the period	Sales / matured during the period	As at June 30, 2023					
-----Rupees in '000-----								
PIB 5 YEARS (13-10-2022) - FIXED	350	350	-	-	-	-	0%	0%
PIB 3 YEARS (04-08-2022) - FIXED	400	400	-	-	-	-	0%	0%
PIB 3 YEARS (08-09-2022) - FLOATER	1,020	1,020	-	-	-	-	0%	0%
PIB 02 YEAR FLOATER (30-12-2021)	600	600	-	-	-	-	0%	0%
Total as at June 30, 2023	2,370	2,370	-	-	-	-	0%	0%

## 6.4 Government of Pakistan - Ijara Sukuk

## 6.4.1 Debt Sub Fund

GOP IJARA SUKUK - 01 YEAR FRR (22-05-2023)	250	250	-	-	-	-	0%	0%
Total as at June 30, 2023	250	250	-	-	-	-	-	-

## 7 DIVIDEND AND MARKUP RECEIVABLE

	June 30, 2023			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- Rupees in '000 -----			
Dividend receivable	1,742	1,305	-	3,047
Mark-up receivable on Savings deposits	102	657	891	1,650
	1,845	1,962	891	4,697

**8 PAYABLE TO THE MANAGEMENT COMPANY**

		June 30, 2023			
	Note	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- Rupees in '000 -----					
Remuneration payable to the Management Company	8.1	-	403	617	1,019
Sindh Sales Tax payable on Management Company's remuneration	8.2	-	52	80	133
		-	455	697	1,152

- 8.1** As per the amendments made in the NBFC Regulations, 2008 vide SRO 639 (1) / 2019 dated 20 June 2019, the Management Company has set and disclosed in the offering document the maximum rate of fee chargeable to Collective Investment Scheme within allowed expense ratio, the Management Company of the Fund is entitled to an accrued remuneration equal to an amount not exceeding 10% of gross earnings of the scheme. The Management has charged its remuneration at rate ranging from 1% to 10% of the gross earnings of the scheme, which is within the allowed expense ratio limit. The remuneration is paid to the Management Company on monthly basis in arrears.
- 8.2** The Sindh Provincial Government has levied Sindh Sales Tax at the rate of 13% on the remuneration of Management Company through Sindh Sales Tax on Services Act, 2011.

**9 PAYABLE TO THE TRUSTEE (CDC)**

		June 30, 2023			
	Note	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- Rupees in '000 -----					
Remuneration payable to the Trustee	9.1	49	109	91	249
Sindh Sales Tax payable on remuneration of the Trustee		6	10	12	28
		55	119	103	277

- 9.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.
- 9.2** As per the Trust Deed and Offering Document, the trustee fee shall be charged in accordance to the tariff flat rate of 0.075% pa of net assets.
- 9.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

**10 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN**

		June 30, 2023			
	Note	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- Rupees in '000 -----					
Annual fee payable	11.1	14	20	20	53

- 10.1** As per Regulation 62 of NBFC Regulations, An Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual nets assets. The fee is payable annually in arrears.

**11 ACCRUED EXPENSES AND OTHER LIABILITIES**

		June 30, 2023			
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
----- Rupees in '000 -----					
Auditors' remuneration payable		54	54	54	162
Withholding tax		21	4	8	33
Other payables		12	10	29	51
Printing charges		22	22	22	65
		109	89	113	311

**12 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments as at June 30, 2023.

**13 NUMBER OF UNITS IN ISSUE**

	June 30, 2023			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	Rupees in '000			
Units issued	357,521	732,490	125,828	2,348,295
Less: Units redeemed	(105)	(75,194)	(112,768)	(188,067)
Total units in issue at the reporting date	357,416	657,296	1,145,516	2,160,228

**14 AUDITORS' REMUNERATION**

	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	----- Rupees in '000 -----			
Annual audit fee	54	54	54	162
Fee for half yearly review	-	-	-	-
Other certifications and out of pocket expenses	-	-	-	-
	54	54	-	162

**15 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 ninety (90%) of its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders. The Fund is also exempt from section 113 (minimum tax) provision under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

During the period ended June 30, 2023, the Fund has distributed by way of cash and bonus units as dividend, as the case maybe, at minimum of ninety (90%) of accounting income for the period, as reduced by capital gains, whether realised or unrealised to the unit holders. Accordingly, no provision for taxation has been recognized in these financial statements."

**16 EARNINGS PER UNIT**

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

**17 FINANCIAL INSTRUMENTS BY CATEGORY**

	June 30, 2023										
Particular	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Total	Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total		
	Rupees in '000										
Financial assets											
Bank balances	-	384	384	-	9,450	9,450	-	60,855	60,855	70,689	71,073
Investments	34,607	-	34,607	66,218	-	66,218	102,687	-	102,687	203,512	238,119
Dividend and markup receivable	-	1,845	1,845	-	1,962	1,962	-	891	891	4,697	-
Advance and deposits	-	226	226	-	233	233	-	147	147	606	-
	34,607	2,455	37,062	66,218	11,644	77,862	-	-	-	279,504	309,192
Financial liabilities											
Payable to the Management Company	-	-	-	-	455	455	-	697	-	455	455
Payable to the Trustee (CDC)	-	55	55	-	119	119	-	103	-	119	174
Payable to Securities and Exchange Commission of Pakistan	-	14	14	-	20	20	-	20	-	20	33
Payable against purchase of securities	-	-	-	-	-	-	-	29,698	-	-	-
Accrued expenses and other liabilities	-	109	109	-	89	89	-	113	-	-	-
	-	178	141	-	683	683	-	30,631	-	594	662

**18 TRANSACTIONS AND BALANCES WITH RELATED PARTIES/ CONNECTED PERSONS**

Related parties/ connected persons include Al Habib Fund Managers Limited being the Management Company, Bank Al Habib Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively, as disclosed in the offering document of the fund.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the financial statements are as follows:

	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	For the period from June 30, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub Fund	Total
	Rupees in '000			
<b>18.1 Transactions during the period</b>				
<b>Al Habib Asset Management Limited - Management Company</b>				
Remuneration of the Management Company	-	403	617	2,227
Sindh Sales Tax on remuneration of the	-	52	80	132
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration of the Trustee	71	139	123	821
Sindh Sales Tax on remuneration of the Trustee	9	14	19	94
<b>Bank Al Habib Limited - Sponsor</b>				
Bank charges	18	11	9	49
Mark-up on bank deposits	1,505	1,611	1,969	6,696
<b>AL Habib Capital Markets (Pvt) Ltd</b>				
Brokerage	12	-	-	12
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub Fund	Total
	Rupees in '000			
<b>Other Connected Persons</b>				
Purchase of units of the plan (211,468,802 units)	-	-	21,245,541	21,245,541
Redemption of units of the plan (156,110,043 units)	-	-	15,610,451	15,610,451
<b>18.2 Balances outstanding as at period end</b>				
	June 30, 2023			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub Fund	Total
	Rupees in '000			
<b>Al Habib Asset Management Limited - Management Company</b>				
Remuneration payable to the Management Company	-	403	617	2,227
Sindh Sales Tax payable on remuneration of the Management Company	-	52	80	290
Formation Cost	10	10	-	20

	June 30, 2023			
	Equity	Debt	Money	Total
	Sub-Fund	Sub-Fund	Market Sub Fund	
	Rupees in '000			
<b>Bank Al Habib Limited - Sponsor</b>				
Bank balances	384	9,450	60,855	82,897
Profit Recievable	102	657	891	1,650
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Trustee fee payable	49	109	91	624
Sindh Sales Tax payable on remuneration of the Trustee	6	10	12	65
<b>AL Habib Capital Markets (Pvt) Ltd</b>				
Brokerage	12	-	-	12
<b>Other Connected Persons</b>				
Units held as at June 30, 2023 ( 657,296 Units)	-	77,179	-	77,179
Units held as at June 30, 2023 ( 357,416 Units)	36,884	-	-	36,884
Units held as at June 30, 2023 ( 1,145,516 Units)	-	-	133,950	133,950
<b>Directors and Key Executives</b>				
Units held as at June 30, 2023 (506,956 units)	-	57,336	-	57,336
Units held as at June 30, 2023 (303,026 units)	31774	-	-	31,774
Units held as at June 30, 2023 (595,175 units)	-	-	66929	66,929

## 19 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 19.1 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 in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 19.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### 19.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

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

As at the reporting date, the fund does not hold any variable profit based investment except balances with banks exposing the fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in interest at period end with all other variables held constant, the net income for the period and the net assets would be higher / lower by Rs. Rs. .072 million.

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

The Fund is exposed to fair value interest rate risk for investment in government securities.

In case of 100 basis points increase/ decrease in interest rates on June 30, 2023, with all other variables held constant, the net income for the period and the net assets would have been higher/lower by Rs. 3.83 million.

**c) Fair value interest rate risk**

Yield / Interest rate sensitivity position for financial instrument is as follows:

EquitySub-Fund June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	18%-21%	384	-	-	-	384
Investments		-	-	-	34,607	34,607
Divident and markup receivable		1,845	-	-	-	1,845
Advance and deposits		226	-	-	-	226
Sub total		2,455	-	-	34,607	37,062
Financial liabilities						
Payable to the Management Company		-	-	-	-	-
Payable to the Trustee (CDC)		-	-	-	55	55
Payable to Securities and Exchange Commission of Pakistan		-	-	-	14	14
Payable against purchase of securities		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	109	109
Sub total		-	-	-	178	178
On-balance sheet gap (a)		2,455	-	-	34,429	36,884
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		2,455	-	-	34,429	36,884
Cumulative interest rate sensitivity gap		2,455	-	-		
DebtSub-Fund June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	18%-21%	9,450	-	-	-	9,450
Investments		-	-	-	66,218	66,218
Divident and markup receivable		1,962	-	-	-	1,962
Advance and deposits		233	-	-	-	233
Sub total		11,644	-	-	66,218	77,862
Financial liabilities						
Payable to the Management Company		-	-	-	455	455
Payable to the Trustee (CDC)		-	-	-	119	119
Payable to Securities and Exchange Commission of Pakistan		-	-	-	20	20
Payable against purchase of securities		-	-	-	-	-
Accrued expenses and other liabilities		-	-	-	89	89
Sub total		-	-	-	683	683
On-balance sheet gap (a)		11,644	-	-	65,535	77,180
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		11,644	-	-	65,535	77,180
Cumulative interest rate sensitivity gap		11,644	-	-		



Money Market Sub-Fund						
June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
		%	Rupees in '000			
<b>On-balance sheet financial instruments</b>						
<b>Financial assets</b>						
Bank balances	18%-21%	60,855	-	-	-	60,855
Investments		-	-	-	102,687	102,687
Divident and markup receivable		891	-	-	-	891
Advance and deposits		147	-	-	-	147
<b>Sub total</b>		61,893	-	-	102,687	164,580
<b>Financial liabilities</b>						
Payable to the Management Company		-	-	-	697	697
Payable to the Trustee (CDC)		-	-	-	103	103
Payable to Securities and Exchange Commission of Pakistan		-	-	-	20	20
Payable against purchase of securities		-	-	-	29,698	29,698
Accrued expenses and other liabilities		-	-	-	113	113
<b>Sub total</b>		-	-	-	30,631	30,631
<b>On-balance sheet gap (a)</b>		61,893	-	-	72,056	133,949
<b>Off-balance sheet financial instruments</b>						
<b>Off-balance sheet gap (b)</b>		-	-	-	-	-
<b>Total interest rate sensitivity gap (a) + (b)</b>		61,893	-	-	72,056	133,949
<b>Cumulative interest rate sensitivity gap</b>		61,893	-	-	-	-

### 19.1.3 Other price risk

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

The Fund is exposed to equity price risk on investments held by the Fund and classified as 'at fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within the eligible stocks prescribed in the Trust Deed and the VPS Rules, 2005.

In case of 5% increase / decrease in KSE Index (KSE 100) on June 30, 2023, with all other variables held constant, the total comprehensive income / loss of the Equity Sub-Fund for the year would decrease / increase by Rs 3.501 million and the net assets of the Fund would increase / decrease by the same amount as a result of gains / losses on equity securities classified as financial assets at fair value through profit or loss.

The analysis is based on the assumption that equity index had increased / decreased by 5% with all other variables held constant and all the Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 Index having regard to the historical volatility of the index. The composition of the Fund's investment portfolio and the correlation thereof to the KSE 100 Index is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2023 is not necessarily indicative of the effect on the Fund's net assets of future movements in the level of the KSE 100 Index.

### 19.2 Credit risk

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances (financial institutions) and receivables from banks.

#### Management of credit risk

The Fund keeps deposits with reputed financial institutions. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

## AL HABIB PENSION FUND

19.2.1 The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2023.

Bank	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund
Rupees in '000			
Bank Al Habib Limited	384	9,450	60,855
	384	9,450	60,855

19.2.2 The analysis below summarizes the credit quality of the Fund's credit exposure:

### Rating by rating category

A-1+

There is no exposure other than bank balance as disclosed above as at June 30, 2023.

### Concentration of credit risk

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's portfolio of financial instruments is mainly concentrated in bank balances. The management believes that these banks are reputed institution.

## 19.3 Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

### Management of liquidity risk

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed off.

In order to manage the Fund's overall liquidity, the Fund also has the option 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 then in issue. Further the Fund also has the ability to suspend redemptions of units with the approval of Board of Directors of the Management Company in extraordinary circumstances.

An interval of six working days between the receipt of a redemption request and issuance of units against it provides a cushion in the repayment of on-demand redemption of units. However, during the period, no such option was exercised or considered necessary.

The following table 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.

Particulars	June 30, 2023								
	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year
Rupees in '000									
<b>Financial liabilities</b>									
Payable to the Management Company	-	-	-	455	-	-	697	-	-
Payable to the Trustee (CDC)	55	-	-	119	-	-	103	-	-
Payable to Securities and Exchange Commission of Pakistan	14	-	-	20	-	-	20	-	-
Payable against purchase of securities	-	-	-	-	-	-	29,698	-	-
Accrued expenses and other liabilities	109	-	-	89	-	-	113	-	-
<b>Total Liabilities</b>	<b>178</b>	<b>-</b>	<b>-</b>	<b>683</b>	<b>-</b>	<b>-</b>	<b>30,631</b>	<b>-</b>	<b>-</b>

## 20 UNITHOLDERS' FUND RISK MANAGEMENT

The unitholders' fund is represented by the net assets attributable to unitholders / redeemable units. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of unit holders. These unitholders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unitholders' fund. Unitholders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unitholders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

## 21 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Consequently, differences can arise between carrying amount and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		June 30, 2023						
		EquitySub-Fund						
		Carrying amount			Fair value			
Particulars		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000						
Financial assets measured at fair value	21.1							
Investments		34,607	-	34,607	-	34,607	-	34,607
		34,607	-	34,607	-	34,607	-	34,607
Financial assets not measured at fair value	21.2							
Bank balances		-	384	-				
Divident and markup receivable		-	1845	-				
Advance and deposits		-	226	-				
		-	2,455	-				
Financial liabilities not measured at fair value	21.2							
Payable to the Management Company		-	-	-				
Payable to the Trustee (CDC)		-	55	55				
Payable to Securities and Exchange Commission of Pakistan			14	14				
Payable against purchase of securities			-	-				
Accrued expenses and other liabilities			109	109				
		-	178	178				

June 30, 2023								
DebtSub-Fund								
Particulars		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000						
Financial assets measured at fair value	21.1							
Investments		66,218	-	66,218	-	66,218	-	66,218
		66,218	-	66,218	-	66,218	-	66,218
Financial assets not measured at fair value	21.2							
Bank balances		-	9,450	9,450				
		-	9,450	9,450				
Financial liabilities not measured at fair value	21.2							
Payable to the Management Company		-	455	455				
Payable to the Trustee (CDC)		-	119	119				
Payable to Securities and Exchange Commission of Pakistan		-	20	20				
Payable against purchase of securities		-	-	-				
Accrued expenses and other liabilities		-	89	89				
		-	683	683				

June 30, 2023								
Money Market Sub-Fund								
Carrying amount				Fair value				
Particulars		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000						
Financial assets measured at fair value	21.1							
Investments		102,687	-	102,687	-	102,687	-	102,687
		102,687	-	102,687	-	102,687	-	102,687
Financial assets not measured at fair value	21.2							
Bank balances		-	60,855	60,855				
Divident and markup receivable		-	891	891				
Advance and deposits		-	147	147				
		-	61,893	61,893				
Financial liabilities not measured at fair value	21.2							
Payable to the Management Company		-	697	697				
Payable to the Trustee (CDC)		-	103	103				
Payable to Securities and Exchange Commission of Pakistan		-	20	20				
Payable against purchase of securities		-	29,698	29,698				
Accrued expenses and other liabilities		-	113	113				
		-	30,631	30,631				

## 21.1 Valuation techniques

For level 2 investments at fair value through profit or loss in units of mutual funds, Fund uses PKISRV rates which are taken from MUFAP, for the puprose of computation of Market value at the reporting date.

21.2 The Fund has not disclosed the fair values of the financial assets and financial liabilities as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 22 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualification	Experience in years
1	Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
2	Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA- Affiliate	23
3	Mr. Ahmed Abbas	Fund Manager	MBA	15
4	Mr. Muhammad Shayan	Manager Investments	MBA & CFA Level II	5
5	Mr. Talha A. Siddiqui	Fund Manager	MA in Economics	10
6	Mr. Umair Bin Hassan	Manager Risk And Research	MS - IBA	5

**23 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Two meetings of the Board of Directors were held on April 14, 2023 and May 16, 2023 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mr. Abbas D. Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Mr. Imran Azim	4	3	1	96th Meeting
Ms. Zarine Aziz	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi (CEO)	4	4	-	-

**24 TOTAL EXPENSE RATIO**

The AHAM Pension Fund - Equity Sub Fund has maintained Total expense ratio (TER) 1.63% [0.11% representing Government Levies, SECP Fee].

The AHAM Pension Fund - Debt Sub Fund has maintained Total expense ratio (TER) 1.19% [0.06% representing Government Levies, SECP Fee].

The AHAM Pension Fund - Money Market Sub Fund has maintained Total expense ratio (TER) 1.12% [0.07% representing Government Levies, SECP Fee].

**25 GENERAL**

**25.1** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**25.2** There are no comparative figures to be reported as it's the first year of operations.

**26 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on **17 August, 2023** by the Board of Directors of the Management Company.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

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

**AL HABIB ISLAMIC PENSION FUND**  
**Annual Report**  
For the year ended June 30, 2023

## FUND'S INFORMATION

### Management Company

AL Habib Asset Management Limited

### Board of Directors of the Management Company

Mr. Abbas D. Habib	Chairman
Mr. Mansoor Ali	Director
Mr. Imran Azim	Director
Ms. Zarine Aziz	Director
Mr. Saeed Allawala	Director
Mr. Kashif Rafi	Chief Executive

### Chief Financial Officer

Mr. Abbas Qurban

### Company Secretary & Chief Operating Officer

Mr. Zahid Hussain Vasnani

### Audit Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Mr. Imran Azim	Member

### Human Resource Committee

Mr. Saeed Allawala	Chairman
Mr. Mansoor Ali	Member
Ms. Zarine Aziz	Member
Mr. Kashif Rafi	Member

### Auditors

BDO Ebrahim & Co.  
Lakson Square Building No. 1, 9th Floor,  
Block C Sarwar Shaheed Rd, Civil Lines,  
Karachi, Karachi City, Sindh 74200

### Legal Advisor

Mohsin Tayebaly & Co.  
Barristers & Advocates,  
2nd Floor, DIME Centre, BC-4, Block 9,  
Kehkashan, Clifton, Karachi.

### Trustee

Central Depository Company of Pakistan Limited  
CDC House, 99-B, Block 'B', S.M.C.H.S.,  
Main Shahra-e-Faisal, Karachi.

### Rating

AM2+ Management Company Quality  
Rating Assigned by PACRA.

### Bankers to the Fund

Bank AL Habib Limited

**Registered Office:** 3rd Floor, Mackinnon's Building, I.I. Chundrigar Road, Karachi.







Tel: +92 21 3568 3030  
Fax: +92 21 3568 4239  
www.bdo.com.pk

2nd Floor, Block-C  
Lakson Square, Building No.1  
Sarwar Shaheed Road  
Karachi-74200  
Pakistan

## INDEPENDENT AUDITOR'S REPORT TO THE UNITHOLDERS OF AL HABIB ISLAMIC PEINSON FUND

### Report on the audit of the financial statements

#### Opinion

We have audited the financial statements of Al Habib Islamic Pension Fund ("the Fund"), which comprise the statement of assets and liabilities as at June 30, 2023, and the income statement, statement of comprehensive income, statement of cash flows and statement of movement in unit holders' fund for the period from September 05, 2022 to June 30, 2023, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Fund as at June 30, 2023, and its financial performance and its cash flows for the period September 05, 2022 to June 30, 2023 in accordance with accounting and reporting standards as applicable in Pakistan.

#### Basis for opinion

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

#### Key Audit Matters

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

#### Following are the Key audit matters:

S.NO	Key audit matter(s)	How the matter was addressed in our audit
1.	<b>Existence and valuation of investments</b>  As disclosed in note 6 to the financial statements of the Fund for the period September 05, 2022 to June 30, 2023, the Fund has investments classified as "Fair value through profit or loss" and bank balances amounting to Rs. 185.408 million representing 96.61% of the net assets value of the Fund.	Our audit procedures included the following: <ul style="list-style-type: none"> <li>We evaluated the design and implementation of key controls of Investment and tested controls over acquisition, disposals and periodic valuation of investments portfolio.</li> <li>We obtained independent confirmations for verifying the existence of balance as at June 30, 2023 and reconcile it with books and records of the Fund.</li> </ul>



S.NO	Key audit matter(s)	How the matter was addressed in our audit
	<p>As these investments and bank balance represent a significant element of the statement of assets and liabilities, a discrepancy in the valuation or existence of investments could cause the NAV to be materially misstated which would also impact the Fund's reported performance as the valuation of investments is the main driver of movements in the performance of the Fund.</p> <p>In view of the significance of these investments in relation to the total assets and the NAV of the Fund, we have considered the existence and valuation of such investments as a key audit matter.</p>	<ul style="list-style-type: none"> <li>We performed substantive audit procedures on period-end balance of investment portfolio including review of custodian's statement, and related reconciliations and re-performance of debt instruments valuations on the basis of prices the Mutual Fund Association of Pakistan (MUFAP) as at June 30, 2023 and matching the valuation of investment with that appearing in the financial statements.</li> <li>We assessed the Fund's compliance with the requirements of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) in relation to the concentration of investments and exposure limits prescribed in such Regulations and reviewed the adequacy of disclosures as may be applicable in situations of non-compliance.</li> </ul>

#### Information other than the financial statements and auditor's report thereon

The Management Company is responsible for the other information. The other information comprises the information included in the annual report but does not include the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

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

#### Responsibilities of the Management Company and its Board of Directors

The Management Company ("Al Habib Asset Management Limited") of the Fund is responsible for the preparation and fair presentation of the financial statements in accordance with the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and accounting and reporting standards as applicable in Pakistan and for such internal control as the Management Company determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.





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

The Management Company is responsible for overseeing the Fund's financial reporting process.

#### **Auditor's responsibilities for the audit of the financial statements**

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

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

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

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



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

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

**Report on other legal and regulatory requirements**

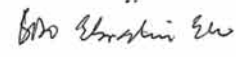
Based on our audit, we further report that in our opinion the financial statements have been prepared in accordance with the relevant provisions of the Trust Deed, NBFC Rules and NBFC Regulations.

The engagement partner on the audit resulting in this independent auditor's report is Tariq Feroz Khan.

KARACHI

DATED: August 30, 2023

UDIN: AR202310166NJXCluotq

  
BDO EBRAHIM & CO.  
CHARTERED ACCOUNTANTS

**STATEMENT OF ASSETS AND LIABILITIES**  
**AS AT JUNE 30, 2023**

		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		Rupees in '000			
ASSETS					
Bank balances	5	1,712	26,814	81,587	110,113
Investments	6	33,274	42,021	-	75,295
Profit/ mark-up receivables	7	488	6,292	5,288	12,068
TOTAL ASSETS		35,474	75,127	86,875	197,476
LIABILITIES					
Payable to the Trustee	8	72	87	91	250
Payable to Securities and Exchange					
Commission of Pakistan	9	11	14	14	39
Payable against purchase of investments		-	5,000	-	5,000
Accrued expenses and other liabilities	10	113	81	77	271
TOTAL LIABILITIES		196	5,182	182	5,560
NET ASSETS		35,278	69,945	86,693	191,916
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)					
		35,278	69,945	86,693	191,916
CONTINGENCIES AND COMMITMENTS					
	11				
Number of units in issue	12	336,424	618,459	770,924	1,725,807
Net assets value per unit		104.86	113.10	112.45	

The annexed notes from 1 to 25 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

# **INCOME STATEMENT** **FOR THE YEAR ENDED JUNE 30, 2023**

		For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	
		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		-----Rupees in '000-----			
<b>Income</b>					
Capital gain on sale of investments - net		229	281	-	510
Profit on Government Ijarah Sukuks		-	2,709	-	2,709
Dividend income		2,397	-	-	2,397
Mark-up on bank deposits		637	3,113	5,881	9,631
		3,263	6,103	5,881	15,247
Unrealised diminution on re-measurement of investments classified as financial assets at 'fair value through profit or loss' - net		(1,350)	208	-	(1,142)
		1,913	6,311	5,881	14,105
<b>Expenses</b>					
Remuneration to the Trustee	8.2	71	84	88	243
Sindh Sales Tax on remuneration to the Trustee	8.3	9	11	11	31
Annual fee to the Securities and Exchange Commission of Pakistan	9.1	11	14	14	39
Auditors' remuneration		54	54	54	162
Securities transaction costs		146	3	-	149
Printing charges	8.3	22	22	22	66
Charity	13	36	-	-	36
		349	188	189	726
Net income for the period before taxation		1,564	6,123	5,692	13,379
Taxation	14	-	-	-	-
Net income for the period after taxation		1,564	6,123	5,692	13,379
Earnings per unit	15				

The annexed notes from 1 to 25 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	
	Equity Sub- Fund	Debt Sub- Fund	Money Market Sub- Fund	Total
	-----Rupees in '000-----			
Net income for the period after taxation	1,564	6,123	5,692	13,379
Other comprehensive income	-	-	-	-
Total comprehensive income for the period	<u>1,564</u>	<u>6,123</u>	<u>5,692</u>	<u>13,379</u>

The annexed notes from 1 to 25 form an integral part of these financial statements.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

**STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB FUND**  
**FOR THE PERIOD ENDED JUNE 30, 2023**

	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	-----Rupees in '000-----			
Net assets at the beginning of the period	-	-	-	-
Issue of units*	33,714	63,823	81,001	178,538
Redemption of units*	-	(1)	-	(1)
	33,714	63,822	81,001	178,537
Gain on sale of investments - net	-	-	-	-
Unrealised (diminution) / appreciation on 're-measurement of investments classified as financial assets at fair value through profit or loss' - net	(1,350)	208	-	(1,142)
Other income for the period - net	2,914	5,915	5,692	14,521
Total comprehensive income for the period	1,564	6,123	5,692	13,379
Net assets at the end of the period	35,278	69,945	86,693	191,916

\* Total number of units issued and redeemed during the period is disclosed in note 12 of these financial statements.

The annexed notes from 1 to 25 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

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

**CASH FLOW STATEMENT**  
**FOR THE PERIOD ENDED JUNE 30, 2023**

	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	
	Equity Sub- Fund	Debt Sub- Fund	Money Market Sub- Fund	Total
Note	-----Rupees in '000-----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period	1,564	6,123	5,692	13,379
Adjustments for:				
Mark-up on bank deposits	(637)	(3,113)	(5,881)	(9,631)
Dividend income	(2,397)	-	-	(2,397)
Income from government securities	-	(2,709)	-	(2,709)
Unrealised diminution on re-measurement of investments classified as 'fair value through profit or loss' - net	1,350	(208)	-	1,142
	(120)	93	(189)	(216)
<b>Increase in liabilities</b>				
Payable to the Trustee	72	87	91	250
Payable to Securities and Exchange Commission of Pakistan	11	14	14	39
Accrued expenses and other liabilities	113	81	77	271
	196	182	182	560
Interest received	149	(470)	593	272
Dividend received	2,397	-	-	2,397
Amount paid for purchase of investments	(34,624)	(36,814)	-	(71,438)
Net cash (used in) / generated from operating activities	(32,002)	(37,009)	586	(68,425)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issue of units	33,714	63,823	81,001	178,538
Net cash generated from financing activities	33,714	63,823	81,001	178,538
Net increase in cash and cash equivalents during the period	1,712	26,814	81,587	110,113
Cash and cash equivalents at the beginning of the period	-	-	-	-
Cash and cash equivalents at the end of the period	5 1,712	26,814	81,587	110,113

The annexed notes from 1 to 25 form an integral part of these financial statements.

**For AL Habib Asset Management Limited**  
**(Management Company)**

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

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

\_\_\_\_\_  
Director

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2023**

**1 LEGAL STATUS AND NATURE OF BUSINESS**

- 1.1** Al Habib Islamic Pension Fund (the Fund) was established under a Trust Deed executed between HBL Asset Management Limited as the Management Company, and Central Depository Company of Pakistan Limited (CDC), as the Trustee. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) vide its letter No. SCD/AMCW/AHFRF/7/2022 dated September 21, 2022 and the Trust Deed was executed on November 17, 2022.
- 1.2** The Management Company of the Fund has been registered as a Non-Banking Finance Company (NBFC) under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules) and has obtained the requisite license from the SECP to undertake Asset Management Services. The registered office of the Management Company is situated at 3rd floor, Mackinnons Building, I, I Chundrigar Road Karachi, Pakistan.
- 1.3** The Fund is an Open-End Shariah complaint Collective Investment Scheme (CIS) as per SECP's Circular No.3 of 2022 dated February 10, 2022 with Allocation Plans. The Allocation Plans under the Fund may have different Shariah compliant investment avenues and different maturity dates. The Allocation Plans under the Fund may have a set timeframe or perpetual.
- 1.4** The core objective of the Fund is to provide competitive returns to its investors through active investments in low risk portfolio of short duration, while maintaining high liquidity.
- 1.5** The Fund consists of three sub-funds namely, AL Habib Islamic Pension Fund Equity Sub-Fund (Equity Sub-Fund), AL Habib Pension Islamic Fund Debt Sub-Fund (Debt Sub-Fund) and AL Habib Islamic Pension Fund Money Market Sub-Fund (Money Market Sub-Fund) (collectively the "Sub-Funds"). Investment policy for each of the sub-funds is as follows:

**1.5.1 AL Habib Islamic Pension Fund - Equity Sub-Fund**

The investment objective of the Equity Sub Fund of the Islamic Pension Fund is to earn returns from investments in Pakistani Capital Markets. Assets of Equity Sub-fund shall be invested in equity securities which are listed on Pakistan Stock Exchange or for the listing of which an application has been approved by Pakistan Stock Exchange and Equity Sub Fund shall be eligible to invest in units of Real Estate Investment Trusts and Exchange Traded Funds provided that entity/sector/group exposure limits as prescribed are complied with at least ninety percent (90%) of Net Assets of Equity Sub Fund shall remain invested in listed equity securities during the year based on rolling average investment of last ninety (90) days calculated on daily basis.

**1.5.2 AL Habib Islamic Pension Fund - Debt Sub-Fund**

The investment objective of the Debt Sub Fund is to earn returns from investments in debt markets of Pakistan, thus incurring a relatively lower risk than equity sub fund. The Investment limits of the Debt Sub Fund are determined by the Commission. The current Investment policy/limits for debt sub-fund as stated below: The Debt Sub-fund shall consist of Shariah Compliant government securities, in the Islamic banks or Islamic windows of commercial banks, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM), TDRs, Sukuk or any other Islamic mode of placement, deposits/placements with any other approved debt/money market security issued from time to time

**1.5.3 AL Habib Islamic Pension Fund - Money Market Sub-Fund**

The Investment Objective of the Money Market Sub-Fund is to earn returns from investments in Money Markets of Pakistan, thus incurring a relatively lower risk than debt sub fund. The Investment limits of the Money Market Sub Fund are determined by the Commission. The current Investment policy/limits for money market sub-fund as stated below Investment avenues - government securities, cash and near cash instruments which include cash in bank accounts (excluding TDRs), treasury bills, money market placements, deposits, certificate of deposits (COD), certificate of musharakas (COM) or any other mode of placement, TDRs.

- 1.6** The Fund offers four types of allocation schemes, as prescribed by the SECP under VPS Rules 2005 vide its Circular no. 36 of 2009 dated December 10, 2009, to the participants of the Fund, namely High Volatility, Medium Volatility, Low Volatility and Lower Volatility. The participant has an option to suggest a minimum percentage of allocation to the above allocation schemes (subject to the minimum percentages prescribed in the offering document). Based on the minimum allocation, the Funds are allocated to the above stated Sub Funds. The allocation to the sub-funds has to be done at the date of the opening of the participant's pension account and on an anniversary date thereafter.
- 1.7** PACRA Credit Rating Agency has assigned a management quality rating of 'AM2' (Stable outlook) to the Management Company while the fund is currently not rated.
- 1.8** Title to the assets of the Fund is held in the name of Central Depository Company of Pakistan Limited as trustee of the Fund.

## 2 BASIS OF MEASUREMENT

### 2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
- Provisions of and directives issued under the Companies Act, 2017; and
- The NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the 'NBFC Regulations') and requirements of the Trust Deed.

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

### 2.2 Basis of measurement

These financial statements have been prepared under the historical cost convention, except investments that are stated at fair values.

### 2.3 Functional and presentation currency

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

### 2.4 Use of estimates and judgments

The preparation of financial statements in conformity with approved accounting standards, as applicable in Pakistan, requires management to make judgments, estimates and assumptions that affect the application of policies and the 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 results of which form the basis of making the judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of approved accounting standards, as applicable in Pakistan, that have significant effect on the financial statements and estimates with a significant risk of material judgment in the next year are as follows:

#### **Classification and measurement of financial assets and financial liabilities**

For details please refer notes 4.2.1.1 and 6 to these financial statements.

#### **Impairment of financial assets**

For details please refer notes 4.2.2 to these financial statements.

## 3 APPLICATION OF NEW STANDARDS, AMENDMENTS AND INTERPRETATIONS TO PUBLISHED APPROVED ACCOUNTING AND REPORTING STANDARDS

### 3.1 New accounting standards, amendments and IFRS interpretations that are effective for the year ended June 30, 2023

The following standards, amendments and interpretations are effective for the period ended June 30, 2023. These standards, amendments and interpretations are either not relevant to the Company's operations or do not have significant impact on the financial statements other than certain additional disclosures.

#### **Amendments**

Amendments to IFRS 3 'Business Combinations' - Reference to the conceptual framework

Amendments to IAS 16 'Property, Plant and Equipment' - Proceeds before intended use

#### **Effective date (annual periods beginning on or after)**

January 01, 2022

January 01, 2022

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IAS 37 'Provisions, Contingent Liabilities and Contingent Assets' - Onerous Contracts - Cost of fulfilling a contract	January 01, 2022
Certain annual improvements have also been made to a number of IFRSs.	

### **3.2 New accounting standards, amendments and interpretations that are not yet effective**

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

<b>Amendments</b>	<b>Effective date (annual periods beginning on or after)</b>
Amendments to IFRS 7 'Financial Instruments: Disclosures' - Supplier finance arrangements	January 01, 2024
Amendments to IFRS 16 'Leases' - Amendments to clarify how a seller-lessee subsequently measures sale and leaseback transactions	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Classification of liabilities as current or non-current	January 01, 2024
Amendments to IAS 1 'Presentation of Financial Statements' - Disclosure of Accounting Policies	January 01, 2023
Amendments to IAS 7 'Statement of Cash Flows' - Supplier finance arrangements	January 01, 2024
Amendments to IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors' - Definition of Accounting Estimates	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Deferred Tax related to Assets and Liabilities arising from a single transaction	January 01, 2023
Amendments to IAS 12 'Income Taxes' - Temporary exception to the requirements regarding deferred tax assets and liabilities related to pillar two income taxes	January 01, 2023

The following new standards and interpretations have been issued by the International Accounting Standards Board (IASB), which have not been adopted locally by the Securities and Exchange Commission of Pakistan (SECP):

IFRS 1	First Time Adoption of International Financial Reporting Standards
IFRS 17	Insurance Contracts

## **4 SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies applied in the preparation of these financial statements are set out below. These accounting policies have been consistently applied unless otherwise stated.

### **4.1 Cash and cash equivalents**

Cash and cash equivalents comprise balances with banks and short-term highly liquid investments with original maturities of three months or less.

### **4.2 Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

## 4.2.1 Financial assets

### 4.2.1.1 Classification and measurement of financial assets and financial liabilities

On initial recognition, a financial asset is classified and measured at amortised cost or fair value through profit and loss (FVTPL). The classification of financial assets is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

The following accounting policies apply to the subsequent measurement of financial assets:

**Financial Assets at FVTPL** These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in income statement.

**Financial Assets at amortised cost** These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income and impairment are recognised in income statement.

### 4.2.1.2 Regular way purchase and sale of financial asset

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

### 4.2.1.3 Derecognition

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

## 4.2.2 Impairment of financial assets

In relation to the impairment of financial assets, IFRS 9 requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognized.

The guiding principle of the expected credit loss (ECL) model is to reflect the general pattern of deterioration or improvement in the credit quality of financial instruments. The amount of ECLs recognised as a loss allowance or provision depends on the extent of credit deterioration since initial recognition. Under the general approach, there are two measurement bases:

- 12-month ECLs (Stage 1), which applies to all items (from initial recognition) as long as there is no significant deterioration in credit quality.
- Lifetime ECLs (Stages 2 and 3), which applies when a significant increase in credit risk has occurred on an individual or collective basis.

The Fund's financial assets include mainly bank balances, investments and other receivables.

## 4.2.3 Financial liabilities

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

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



**4.2.4 Offsetting of financial assets and liabilities**

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

**4.3 Provisions**

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

**4.4 Taxation**

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than ninety percent (90%) of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed to the unit holders.

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

**4.5 Proposed distributions**

Distributions declared subsequent to the year end reporting date are considered as non-adjusting events and are recognised in the financial statements in the year in which such distributions are declared.

**4.6 Issuance 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 day. The offer price represents the net assets 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, inapplicable.

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

**4.7 Element of income**

Element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Element of income is a transaction of capital nature and the receipt and payment of element of income is taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund is refunded on units in the same proportion as dividend bears to accounting income available for distribution.

**4.8 Net asset value per unit**

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

**4.9 Revenue recognition**

- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Mark-up / profit / return on Government securities, bank profits and investment in debt securities are recognized using the effective interest method.
- Unrealised gains / (losses) arising on re-measurement of investments classified as 'financial assets at fair value through profit or loss' are included in the income statement in the period in which they arise.
- Dividend income from equity securities is recognised when the right to receive the dividend is established.

**4.10 Transactions with related parties / connected persons**

Transactions with related parties / connected persons are based at arm's length at normal commercial rates on the same terms and conditions as applicable to third party transactions.

Remuneration to the Management Company and the Trustee is determined in accordance with the provision of NBFC Rules, NBFC Regulations and the Trust Deed respectively.

June 30, 2023

		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		Rupees in '000			
5	<b>BANK BALANCES</b>				
	in saving accounts	5.1	1,712	26,814	81,587
			1,712	26,814	81,587
					110,113

5.1 These carries mark-up at the rates ranging between 18% to 20% per annum for all plans. These represents balances held with Bank Al Habib Limited, a related party.

## 6 INVESTMENTS

Financial assets classified at fair value through profit or loss

Listed equity securities	6.1	33,274	-	-	33,274
Government Ijara sukuk	6.2	-	42,021	-	42,021
		33,274	42,021	-	75,295

### 6.1 Listed equity securities

Ordinary shares having face value of Rs. 10 each unless stated otherwise.

Name of the investee company	Number of shares/ certificates					As at June 30, 2023			Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
	As at June 30, 2022	Purchased during the period	Bonus received during the period	Sold during the period	As at June 30, 2023	Carrying value	Market value	Unrealised gain / (loss)	Net assets of the Sub-Fund	Total investment of the Sub-Fund	
	(Number of shares)					Rupees in '000			%		
<b>CEMENT</b>											
Attock Cement Pakistan Limited	-	8,500	-	-	8,500	693	704	11	2%	2%	0%
Cherat Cement Company Limited	-	12,000	-	3,000	9,000	1,061	1,083	22	3%	3%	0%
Kohat Cement Company Limited	-	6,000	-	-	6,000	960	1,041	81	3%	3%	0%
Fauji Cement Company Limited	-	110,000	5,000	22,000	93,000	1,227	1,094	(133)	3%	3%	0%
Bestway cement Limited	-	4,000	-	-	4,000	552	580	28	2%	2%	0%
Lucky Cement Limited	-	3,800	-	1,800	2,000	978	1,044	66	3%	3%	0%
Maple Leaf Cement Factory Limited	-	61,000	-	11,000	50,000	1,392	1,417	25	4%	4%	0%
Pioneer Cement Limited	-	13,500	-	5,000	8,500	688	736	48	2%	2%	0%
						7,551	7,699	148	22%	23%	
<b>CHEMICALS</b>											
Engro Polymer and Chemicals Limited	-	32,000	-	24,000	8,000	320	338	18	1%	1%	0%
						320	338	18	1%	1%	
<b>COMMERCIAL BANKS</b>											
Meezan Bank Limited	-	55,500	-	13,500	42,000	4,499	3,628	(871)	10%	11%	0%
Faysal Bank Limited	-	35,000	-	10,000	25,000	517	505	(12)	1%	2%	0%
BankIslami Pakistan Limited	-	90,000	-	48,500	41,500	448	737	289	2%	2%	0%
						5,464	4,870	(594)	14%	15%	
<b>ENGINEERING</b>											
Mughal Iron & Steel Industries	-	17,000	-	3,000	14,000	804	678	(126)	2%	2%	0%
						804	678	(126)	2%	2%	
<b>FERTILIZER</b>											
Engro Fertilizer Limited	-	57,000	-	25,000	32,000	2,631	2,641	10	7%	8%	0%
Engro Corporation Limited	-	13,700	-	2,500	11,200	2,941	2,911	(30)	8%	9%	0%
						5,572	5,552	(20)	16%	17%	
<b>GLASS &amp; CERAMIC</b>											
Tariq Glass Industries Limited	-	18,500	2,125	5,000	15,625	1,225	1,064	(161)	3%	3%	0%
						1,225	1,064	(161)	3%	3%	
<b>TEXTILE COMPOSITE</b>											
Interloop Limited	-	7,000	-	-	7,000	340	247	(93)	1%	1%	0%
						340	247	(93)	1%	1%	
<b>OIL &amp; GAS MARKETING COMPANIES</b>											
Attock Petroleum Limited -	-	3,000	750	1,500	2,250	699	676	(23)	2%	2%	0%
Sui Northern Gas Pipelines Limited	-	47,000	-	24,055	22,945	960	903	(57)	3%	3%	0%
						1,659	1,579	(80)	4%	5%	
<b>OIL &amp; GAS EXPLORATION COMPANIES</b>											
Mari Petroleum Company Limited	-	1,750	-	900	850	1,343	1,287	(56)	4%	4%	0%
Oil & Gas Development Company Limited	-	38,000	-	21,500	16,500	1,265	1,287	22	4%	4%	0%
Pak Oilfields Limited	-	16,800	-	9,100	7,700	3,517	3,503	(14)	9%	9%	0%
Pakistan Petroleum Limited	-	48,000	-	27,000	21,000	1,261	1,242	(19)	4%	4%	0%
						7,386	7,319	(67)	20%	21%	

## AL HABIB ISLAMIC PENSION FUND

Name of the investee company	Number of shares/ certificates					As at June 30, 2023			Market value as a percentage of		Holding as a percentage of paid-up capital of investee company
	As at June 30, 2022	Purchased during the period	Bonus received during the period	Sold during the period	As at June 30, 2023	Carrying value	Market value	Unrealised gain / (loss)	Net assets of the Sub-Fund	Total investment of the Sub-Fund	
	(Number of shares)					Rupees in '000			%age		
PHARMACEUTICALS											
The Searl Company Limited	-	6,000	-	-	6,000	330	230	(100)	1%	1%	0%
Highnoon Laboratories	-	600	-	-	600	318	202	(116)	1%	1%	0%
Abbott Lab (Pakistan) Limited	-	500	-	-	500	293	185	(108)	1%	1%	0%
						941	617	(324)	2%	2%	
TECHNOLOGY & COMMUNICATION											
NetSol Technologies Limited	-	3,000	-	3,000	-	-	-	-	0%	0%	0%
Avanceon Limited	-	23,000	1,800	2,000	22,800	1,246	1,004	(242)	3%	3%	0%
Systems Limited	-	15,100	-	10,650	4,450	1,570	1,795	225	5%	5%	0%
						2,816	2,799	(17)	8%	8%	
AUTOMOBILE ASSEMBLER											
Millat Tractors Limited	-	400	88	400	88	55	34	(21)	0%	0%	0%
						55	34	(21)	0%	0%	
FOOD & PERSONAL CARE PRODUCTS											
The Organic Meat Co Ltd -		23,000	-	-	23,000	487	478	(9)	1%	1%	0%
						487	478	(9)	1%	1%	
Total as at June 30, 2023						34,620	33,274	(1,346)	93.170%	98.780%	

### 6.2 Government Ijara sukuk

#### 6.2.1 Debt Sub Fund

Tenure	As at June 30, 2022	Purchased during the period	Disposed of / matured during the period	As at June 30, 2023	Cost of holding as at June 30, 2023	Market value as at June 30, 2023	Unrealised appreciation / (diminution)	Percentage in relation to	
								Net assets of the Fund	Total market value of investment
GOP IJARA SUKUK - VRR (26-10-2022)	-	750.00	750.00	-	-	-	-	-	-
GOP IJARA SUKUK - 01 YEAR VRR (26-06-2023)	-	50.00	-	50.00	4,993	5,000	7.00	0.07	0.12
GOP IJARA SUKUK - 01 YEAR FRR (22-05-2023)	-	250.00	250.00	-	-	-	-	-	-
GOP IJARA SUKUK - 01 YEAR VRR (17-04-2023)	-	370.00	-	370.00	36,821	37,021	200.00	0.53	0.88
Total as at June 30, 2023						41,814.00	42,021.00	207.00	1.00

### 7 PROFIT / MARK-UP RECEIVABLE

	June 30, 2023			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	Rupees in '000			
Profit / mark-up receivable on	-	3,601	-	3,601
GoP Ijara Sukuk	488	2,691	5,288	8,467
Savings deposits	488	6,292	5,288	12,068

### 8 PAYABLE TO THE TRUSTEE

Remuneration payable to the Trustee	9.1	64	84	81	229
Sindh Sales Tax payable on remuneration of the Trustee		8	3	10	21
		72	87	91	250

**8.1** The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed, as per the tariff specified therein, based on the average annual net assets of the Fund. The fee is paid to the Trustee monthly in arrears.

**8.2** As per the Trust Deed and Offering Document, the trustee fee shall be charged in accordance to the tariff flat rate of 0.075% pa of net assets.

**8.3** The Provincial Government of Sindh has levied Sindh Sales Tax at the rate of 13% on the Trustee fee through the Sindh Sales Tax on Services Act, 2011.

9 PAYABLE TO SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

June 30, 2023

		Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Note		Rupees in '000			
Annual fee payable	9.1	11	14	14	39

9.1 As per Regulation 62 of NBFC Regulations, An Asset Management Company managing a CIS shall pay SECP an annual fee of 0.02% of the average annual nets assets. The fee is payable annually in arrears.

10 ACCRUED EXPENSES AND OTHER LIABILITIES

June 30, 2023

	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	Rupees in '000			
Withholding tax	1	1	1	3
Auditors' remuneration payable	54	54	54	162
Printing charges	22	22	22	66
Charity Payable	36	-	-	36
Others	-	4	-	4
	113	81	77	271

11 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at June 30, 2023.

12 NUMBER OF UNITS IN ISSUE

June 30, 2023

	Equity Sub-Fund	Debt Sub-Fund	Market Money Sub-Fund	Total	UFRP III (I)
	Rupees in '000				
Units issued	336,426	618,464	770,926	1,725,816	7,038,915
Less: Units redeemed	(2)	(5)	(2)	(9)	-
Total units in issue at the reporting date	336,424	618,459	770,924	1,725,807	7,038,915

13 AUDITORS' REMUNERATION

	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
	Rupees in '000			
Annual audit fee	54	54	54	162

14 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 its accounting income for the year, as reduced by the capital gains whether realised or unrealised, is distributed to the unit holders. The Fund is also exempt from section 113 (minimum tax) provision under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001.

15 EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed in these financial statements as in the opinion of the Management Company the determination of the cumulative weighted average number of outstanding units is not practicable.

**16 FINANCIAL INSTRUMENTS BY CATEGORY**

June 30, 2023										
Particular	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund			Total
	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	At fair value through profit or loss	Amortised cost	Total	
-----Rupees in -----										
Financial assets										
Bank balances	-	1,712	1,712	-	26,814	26,814	-	81,587	81,587	110,113
Investments	33,274	-	33,274	42,021	-	42,021	-	-	-	75,295
	33,274	1,712	34,986	42,021	26,814	68,835	-	81,587	81,587	185,408
<hr/> <hr/>										
Financial liabilities										
Payable to the Trustee	-	72	72	-	87	87	-	91	91	
Payable to Securities and Exchange										
Commission of Pakistan	-	11	11	-	14	14	-	14	14	
Accrued expenses and other liabilities	-	113	113	-	81	81	-	77	77	
	-	196	196	-	182	182	-	182	182	
<hr/> <hr/>										

**17 TRANSACTIONS AND BALANCES WITH RELATED PARTIES/ CONNECTED PARTIES**

Related parties/ Connected persons include Al Habib Fund Managers Limited being the Management Company, Bank Al Habib Limited being the Sponsor, Central Depository Company of Pakistan Limited being the Trustee of the Fund, other collective investment schemes managed by the Management Company, directors and officers of the Management Company, directors of connected persons and persons having 10% or more beneficial ownership of the units of the Fund.

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

Remuneration payable to Management Company and Trustee is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively, as disclosed in the offering document of the fund.

Details of the transactions with connected persons and balances with them, if not disclosed elsewhere in the financial statements are as follows:

**17.1 Transactions during the period**

	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	For the period from September 05, 2022 to June 30, 2023	
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Rupees in '000				
Central Depository Company of Pakistan Limited - Trustee				
Remuneration of the Trustee	71	84	88	243
Sindh Sales Tax on remuneration of the Trustee	9	11	11	31
Bank Al Habib Limited - Sponsor Mark-up on bank deposits	637	3,113	5,881	9,631
AL Habib Capital Markets (Pvt) Ltd Brokerage	12	-	-	12

**17.2 Balances outstanding as at period end**

	June 30, 2023			
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	Total
Rupees in '000				
Bank Al Habib Limited - Sponsor				
Bank balances	1,712	26,814	81,587	110,113
Profit Receivable	488	6,292	5,288	12,068
Central Depository Company of Pakistan Limited - Trustee				
Trustee fee payable	64	84	81	229
Sindh Sales Tax payable on remuneration of the Trustee	8	3	10	21

	June 30, 2023			Total
	Equity Sub-Fund	Debt Sub-Fund	Money Market Sub-Fund	
	Rupees in '000			
<b>Other Connected Persons</b>				
Units held as at June 30, 2023 (336,424 Units)	35,276	-	-	35,276
Units held as at June 30, 2023 (618,459 Units)	-	69,946	-	69,946
Units held as at June 30, 2023 ( 770,924 Units)	-	-	86,692	86,692
<b>Al Habib Asset Management Limited - Management Company</b>				
Purchase of units of the plan (300,000 units)	-	33,929	-	33,929
Purchase of units of the plan (300,000 units)	31,457	-	-	31,457
Purchase of units of the plan (300,000 units)	-	-	33,736	33,736
<b>Directors and Key Executives</b>				
Purchase of units of the plan (3,026 units)	317	-	-	317
Purchase of units of the plan (206,956 units)	-	23,406	-	23,406
Purchase of units of the plan (295,175 units)	-	-	33,193	33,193

## 18 FINANCIAL RISK MANAGEMENT

The Board of Directors of the Management Company has overall responsibility for the establishment and oversight of the Fund's risk management framework. The Board is also responsible for developing and monitoring the Fund's risk management policies.

The Fund's risk management policies are established to identify and analyse the risks faced by the Fund, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Fund's activities.

The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

### 18.1 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 in marketable securities by following the internal risk management policies and investment guidelines approved by the Investment Committee of the Fund and the regulations laid down by the Securities and Exchange Commission of Pakistan.

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

#### 18.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. The Fund, at present, is not exposed to currency risk.

#### 18.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates.

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

As at the reporting date, the fund does not hold any variable profit based investment except balances with banks exposing the fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in interest rates at period end with all other variables held constant, the net income for the period and the net assets of the Equity Sub-Fund, Debt Sub-Fund and Money Market Sub-Fund would have been higher / lower by Rs 0.039 million , Rs 0.279 million and Rs 0.962 million respectively.

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

The Fund is exposed to fair value interest rate risk for investment in government securities.

In case of 100 basis points increase in interest rates on June 30, 2023, with all other variables held constant, the net income for the period and the net assets Debt Sub-Fund and Money Marker Sub-Fund would have been lower / higher by Rs 0.328 million and Rs 0.354 million respectively.

**c) Fair value interest rate risk**

Yield / Interest rate sensitivity position for financial instrument is as follows:

Equity Sub-Fund June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	18%-21%	1,712	-	-	-	1,712
Investments - net		-	-	-	33,274	33,274
Sub total		1,712	-	-	33,274	34,986
Financial liabilities						
Payable to the Trustee		-	-	-	72	72
Payable to Securities and Exchange Commission of Pakistan		-	-	-	11	11
Accrued expenses and other liabilities		-	-	-	113	113
Sub total		-	-	-	196	196
On-balance sheet gap (a)		1,712	-	-	33,078	34,790
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		1,712	-	-	33,078	34,790
Cumulative interest rate sensitivity gap		1,712	-	-		

Debt Sub-Fund						
June 30, 2023						
Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	18%-21%	26,814	-	-	-	26,814
Investments - net		-	-	-	42,021	42,021
Sub total		26,814	-	-	42,021	68,835
Financial liabilities						
Payable to the Trustee		-	-	-	87	87
Payable to Securities and Exchange Commission of Pakistan		-	-	-	14	14
Accrued expenses and other liabilities		-	-	-	81	81
Sub total		-	-	-	182	182
On-balance sheet gap (a)		26,814	-	-	41,839	68,653
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		26,814	-	-	41,839	68,653
Cumulative interest rate sensitivity gap		26,814	-	-	-	-



**Money Market Sub-Fund**  
**June 30, 2023**

Particulars	Effective yield / interest rate	Exposed to yield / interest rate risk			Not exposed to yield / Interest rate risk	Total
		Upto three months	More than three months and upto one year	More than one year		
	%	Rupees in '000				
On-balance sheet financial instruments						
Financial assets						
Bank balances	18%-21%	81,587	-	-	-	81,587
Investments - net		-	-	-	-	-
Sub total		81,587	-	-	-	81,587
Financial liabilities						
Payable to the Trustee		-	-	-	91	91
Payable to Securities and Exchange Commission of Pakistan		-	-	-	14	14
Accrued expenses and other liabilities		-	-	-	77	77
Sub total		-	-	-	182	182
On-balance sheet gap (a)		81,587	-	-	(182)	81,405
Off-balance sheet financial instruments						
Off-balance sheet gap (b)		-	-	-	-	-
Total interest rate sensitivity gap (a) + (b)		81,587	-	-	(182)	81,405
Cumulative interest rate sensitivity gap		81,587	-	-	(182)	81,405

**18.1.3 Other price risk**

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

The Fund is exposed to equity price risk because of investments held by the Fund in listed equity securities classified as Financial Asset at 'fair value through profit or loss'. To manage its price risk arising from investments in equity securities, the Fund diversifies its portfolio within eligible stocks. The Fund's constitutive document and NBFC Regulations also limit investment in individual equity securities of not more than 10% of net assets of the Fund or issued capital of the investee company.

In case of 5% increase / (decrease) in price of all shares held by Fund at the year end, net loss for the year would decrease / increase by Rs 0.3764 million and net assets of the Fund would increase / decrease by the same amount as a result of gains / losses.

**18.2 Credit risk**

Credit risk represents the risk of a loss if the counter parties fail to perform as contracted. The Fund's credit risk is primarily attributable to bank balances (financial institutions) and receivables from banks.

**Management of credit risk**

The Fund keeps deposits with reputed financial institutions. All transactions in units are settled / paid for upon delivery using the system of Trustee. The risk of default in these transactions is considered minimal due to inherent systematic measures taken therein.

The Fund's policy is to enter into financial contracts in accordance with the investment guidelines approved by the Investment Committee, its Trust Deed and the requirements of the NBFC rules and the regulations and the guidelines given by the SECP from time to time.

**18.2.1 The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2023.**

Bank	Equity Sub-Fund	Equity Sub-Fund	Equity Sub-Fund	Latest available published rating as at June 30, 2023	Rating agency
	Rupees in '000				
Bank Al Habib Limited	1,712	26,814	81,587	A-1+	PACRA
	1,712	26,814	81,587		

**18.2.2** The analysis below summarizes the credit quality of the Fund's credit exposure:

**Rating by rating category**

A-1+

There is no exposure other than bank balance as disclosed above as at June 30, 2023.

**Concentration of credit risk**

Concentration of credit risk arises when a number of financial instruments or contracts are entered into with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions.

The Fund's major asset balances are held with a single bank. The management believes that these banks are reputed institution.

**18.3 Liquidity risk**

Liquidity risk is the risk that the Fund will encounter difficulty in meeting obligations arising from its financial liabilities that are settled by delivering cash or another financial asset, or that such obligations will have to be settled in a manner disadvantageous to the Fund.

The Fund is exposed to non-payment of redemptions request on a regular basis. Units are redeemable at the holder's option based on the Fund's net asset value per unit at the time of redemption calculated in accordance with the Fund's constitutive document and guidelines laid down by the SECP.

**Management of liquidity risk**

The Fund's policy is to manage this risk by investing majority of its assets in investments that are traded in an active market and can be readily disposed off.

The Fund is exposed to redemptions of its redeemable units on a regular basis. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions. The Fund's policy is, therefore, to invest the majority of its assets either in short term instruments or in investments that are traded in an active market and can be readily disposed and are considered readily realisable in order to maintain liquidity.

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

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

The following table 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.

Particulars	June 30, 2023								
	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year	Upto three months	More than three months and upto one year	Over one year
----- Rupees in '000 -----									
<b>Financial liabilities</b>									
Payable to the Management Company	-	-	-	-	-	-	-	-	-
Payable to the Trustee (CDC)	72	-	-	87	-	-	91	-	-
Payable to Securities and Exchange Commission of Pakistan	11	-	-	14	-	-	14	-	-
Accrued expenses and other liabilities	113	-	-	81	-	-	77	-	-
<b>Total Liabilities</b>	<b>196</b>	<b>-</b>	<b>-</b>	<b>182</b>	<b>-</b>	<b>-</b>	<b>182</b>	<b>-</b>	<b>-</b>

**19 UNITHOLDERS' FUND RISK MANAGEMENT**

The unitholders' fund is represented by the net assets attributable to unitholders / redeemable units. The amount of net assets attributable to unitholders can change significantly on a daily basis as the Fund is subject to daily issuance and redemptions at the discretion of

unit holders. These unitholders of the Fund are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in unitholders' fund. Unitholders fund risk management is carried out by the Management Company through following steps:

- Monitors the level of daily issuance and redemptions relative to the liquid assets and adjusts the amount of distributions the Fund pays to the unitholders;
- Redeems and issues units in accordance with the constitutive documents of the Fund. This includes the Fund's ability to restrict redemptions; and
- The Fund Manager / Investment Committee members and the Chief Executive Officer of the Management Company critically track the movement of 'Assets under Management'. The Board of Directors is updated regarding key performance indicators, e.g. yield and movement of NAV and total Fund size at the end of each quarter.

The Fund has maintained and complied with the requirements of minimum fund size during the current period.

## 20 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is 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. Consequently, differences can arise between carrying amount and the fair value estimates.

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

The fair value of financial assets and liabilities traded in active markets are based on the quoted market prices at the close of trading on the period end date. The quoted market price used for financial assets held by the Fund is current bid price.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis.

As per the requirements of IFRS 7 (Financial Instruments: Disclosures) and IFRS 13 (Fair Value Measurement), the Fund classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Fair value measurements using quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Fair value measurements using inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- Fair value measurements using inputs for assets or liability that are not based on observable market data (i.e. unobservable inputs) (level 3).

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy.

		June 30, 2023						
		Equity Sub-Fund						
Particulars		Carrying amount			Fair value			
		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	Rupees in '000						
Transfers during the period								
Financial assets measured at fair value	20.1							
Investments		33,274	-	33,274	-	33,274	-	33,274
		33,274	-	33,274	-	33,274	-	33,274
Financial assets not measured at fair value	20.2							
Bank balances		-	1712	-				
Profit receivable		-	488	-				
		-	2,200	-				
Financial liabilities not measured at fair value	20.3							
Payable to the Management Company		-	-	-				
Payable to the Trustee (CDC)		-	72	72				
Payable to Securities and Exchange Commission of Pakistan			11	11				
Accrued expenses and other liabilities			113	113				
		-	196	196				

**June 30, 2023**
**Debt Sub-Fund**

		Carrying amount			Fair value			
Particulars		Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	----- Rupees in '000 -----						
Financial assets measured at fair value	20.1							
Investments		42,021	-	42,021	-	42,021	-	42,021
		42,021	-	42,021	-	42,021	-	42,021
Financial assets not measured at fair value	20.2							
Bank balances		-	26,814	26,814				
Profit receivable		-	6,292	6,292				
		-	26,814	26,814				
Financial liabilities not measured at fair value	20.3							
Payable to the Management Company		-	-	-				
Payable to the Trustee (CDC)		-	87	87				
Payable to Securities and Exchange Commission of Pakistan		-	14	14				
Accrued expenses and other liabilities		-	81	81				
		-	182	182				

**June 30, 2023**
**Money Market Sub-Fund**

Money Market Sub-Fund							
Carrying amount				Fair value			
Particulars	Fair value through profit or loss	Amortised Cost	Total	Level 1	Level 2	Level 3	Total
	Note	----- Rupees in '000 -----					
<b>Financial assets measured at fair value</b>	20.1						
Investments		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Financial assets not measured at fair value</b>	20.2						
Bank balances		-	81,587	81,587			
Profit receivable		-	5,288	5,288			
		-	-	-			
		-	86,875	86,875			
<b>Financial liabilities not measured at fair value</b>	20.3						
Payable to the Management Company		-	-	-			
Payable to the Trustee (CDC)		-	91	91			
Payable to Securities and Exchange Commission of Pakistan		-	14	14			
Accrued expenses and other liabilities		-	77	77			
		-	182	182			

## 20.1 Valuation techniques

For level 2 investments at fair value through profit or loss in units of mutual funds, Fund uses PKRV rates which are taken from MUFAP, for the purpose of computation of Market value at the reporting date.

**20.2** The Fund has not disclosed the fair values of these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are reasonable approximation of fair value.

## 20.3 Transfers during the period

No transfer were made between various levels of fair value hierarchy during the period.

**21 PARTICULARS OF THE INVESTMENT COMMITTEE AND THE FUND MANAGER**

Details of members of the Investment Committee of the Fund as on June 30, 2023 are as follows:

S. no.	Name	Designation	Qualification	Experience in years
1	Mr. Kashif Rafi	Chief Executive Officer	MBA - IBA	22
2	Mr. Zahid Hussain Vasnani	Chief Operating Officer & Company Secretary	CA- Affiliate	23
3	Mr. Ahmed Abbas	Fund Manager	MBA	15
4	Mr. Muhammad Shayan	Manager Investments	MBA & CFA Level II	5
5	Mr. Talha A. Siddiqui	Fund Manager	MA in Economics	10
6	Mr. Umair Bin Hassan	Manager Risk And Research	MS - IBA	5

**22 ATTENDANCE AT MEETINGS OF THE BOARD OF DIRECTORS**

Four meetings of the Board of Directors were held on August 29, 2022 and October 28, 2022 , February 09, 2023, April 13, 2023 respectively. Information in respect of the attendance by the Directors in the meetings is given below:

Name of Director	Number of meetings			Meeting not attended
	Held	Attended	Leave	
Mr. Abbas D. Habib	4	3	1	96th Meeting
Mr. Mansoor Ali Khan	4	4	-	-
Mr. Saeed Allawala	4	4	-	-
Mr. Imran Azim	4	3	1	96th Meeting
Ms. Zarine Aziz	4	2	2	95th and 96th Meeting
Mr. Kashif Rafi (CEO)	4	4	-	-

**23 TOTAL EXPENSE RATIO**

The AHAM Islamic Pension Fund - Equity Sub Fund has maintained Total expense ratio (TER) 1.82% [0.11% representing Government Levies, SECP Fee].

The AHAM Islamic Pension Fund - Debt Sub Fund has maintained Total expense ratio (TER) 0.74% [0.05% representing Government Levies, SECP Fee].

The AHAM Islamic Pension Fund - Money Market Sub Fund has maintained Total expense ratio (TER) 0.69% [0.05% representing Government Levies, SECP Fee].

**24 GENERAL**

**24.1** Figures have been rounded off to the nearest thousand rupees, unless otherwise stated.

**24.2** There are no comparative figures to be reported as it's the first year of operations.

**25 DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on 17 August, 2023 by the Board of Directors of the Management Company.

**For AL Habib Asset Management Limited  
(Management Company)**

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

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

\_\_\_\_\_  
Director

## DISCLOSURE OF PROXY VOTING FOR THE YEAR ENDED 2023

Regulation 38 A "Responsibilities towards Corporate Governance and Proxy Voting";

### AL Habib Stock Fund

The Management Company on behalf of the Fund did not participate in 42 shareholder meetings of the Investee Companies. Moreover, details of the proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	02	02	-	-	-
%	-	-	-	-	-

### AL Habib Islamic Stock Fund

The Management Company on behalf of the Fund did not participate in 36 shareholder meetings of the Investee Companies. Moreover, details of the proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	01	01	-	-	-
%	-	-	-	-	-

### AL Habib Asset Allocation Fund

The Management Company on behalf of the Fund did not participate in 11 shareholder meetings of the Investee Companies. Moreover, details of the proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	01	01	-	-	-
%	-	-	-	-	-

### AL Habib Islamic Pension Fund

The Management Company on behalf of the Fund did not participate in 30 shareholder meetings of the Investee Companies. Moreover, details of the proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	01	01	-	-	-
%	-	-	-	-	-

### AL Habib Pension Fund

The Management Company on behalf of the Fund did not participate in 32 shareholder meetings of the Investee Companies. Moreover, details of the proxies voted are as follows:

	Resolutions	For	Against	Abstain	Reason for Abstaining
Number	01	01	-	-	-
%	-	-	-	-	-

الحبيب اسلامک اسٹاک فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 0.87 فیصد کا خالص منافع حاصل کیا، فنڈ کی مجموعی آمدنی 8.93 ملین روپے رہی جس میں بنیادی طور پر منافع منقسمہ سے حاصل ہونے والی 22.74 ملین روپے کی آمدنی، بینک ڈپازٹس سے حاصل 7.51 ملین روپے کی آمدنی اور ایکویٹی سرمایہ کاریوں پر 21.32 ملین روپے کے حقیقی اور غیر حقیقی کیپٹل خسارے شامل ہیں۔ اس مدت کے دوران فنڈ نے 0.64 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔

الحبيب بينشن فنڈ 30 جون 2022 کو متعارف کرایا گیا، 30 جون 2023 کو ختم ہونے والے سال میں منی مارکیٹ، ڈیٹ اور ایکویٹی سب فنڈز کے لئے بالترتیب 16.88 فیصد، 17.37 فیصد اور 3.16 فیصد کا خالص سالانہ منافع حاصل کیا۔ منی مارکیٹ اور ڈیٹ سب فنڈز کی مجموعی آمدنی بالترتیب 10.25 ملین روپے اور 9.37 ملین روپے رہی، جو بینک ڈپازٹس اور سرکاری سیکیورٹیز سے حاصل آمدنی پر مشتمل ہے، ایکویٹی سب فنڈز کا مجموعی منافع 1.36 ملین روپے رہا، جس میں بنیادی طور پر منافع منقسمہ سے 3.02 ملین روپے کی آمدنی، بینک ڈپازٹس سے 1.51 ملین روپے کی آمدنی اور سرمایہ کاری پر 3.17 ملین روپے کا خسارہ شامل ہے۔

الحبيب اسلامک بينشن فنڈ کو 05 ستمبر 2022 کو متعارف کرایا گیا۔ اس نے 30 جون 2023 کو ختم ہونے والے سال میں منی مارکیٹ اور ڈیٹ سب فنڈز کیلئے بالترتیب 15.20 فیصد اور 15.99 فیصد کا خالص سالانہ منافع حاصل کیا اور ایکویٹی سب فنڈ نے 4.86 فیصد غیر مشروط منافع حاصل کیا۔ منی مارکیٹ اور ڈیٹ سب فنڈز کی مجموعی آمدنی بالترتیب 5.88 ملین روپے اور 6.31 ملین روپے رہی جو بینک ڈپازٹس، ڈیٹ انسٹرومنٹس اور سرکاری سیکیورٹیز سے حاصل آمدنی پر مشتمل ہے۔ ایکویٹی سب فنڈز کی مجموعی آمدنی 1.91 ملین روپے رہی جس میں بنیادی طور پر منافع منقسمہ سے 2.40 ملین روپے کی آمدنی، بینک ڈپازٹس سے 0.63 ملین روپے کی آمدنی اور سرمایہ کاری پر 1.12 ملین روپے کا خسارہ شامل ہے۔

ہم اپنے یونٹ ہولڈرز کا مستقل اعتماد اور تعاون پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی رہنمائی اور سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ کی معاونت کا شکریہ ادا کرتے ہیں۔ ہم اپنے تمام اسٹاف ممبران کی محنت، خلوص اور لگن کے لئے شکر گزار ہیں۔

منجانب ڈائریکٹران از بورڈ

منظور علی  
ڈائریکٹر

کاشف رفیع  
چیف ایگزیکٹو

کراچی: ۱۷ اگست ۲۰۲۳ء



الحبيب اسلامک کیش فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 16.69 فیصد کا سالانہ خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 1,654.35 ملین روپے رہی جس میں بنیادی طور پر 1,499.46 ملین روپے کے بینک ڈپازٹس اور 154.89 ملین روپے کی ٹرم ڈپازٹس رسپٹس سے حاصل ہونے والی آمدنی شامل ہے۔ اس مدت کے دوران فنڈ نے 15.22 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔ PACRA نے 27 جون 2023 کو فنڈ اسٹیبلشمنٹ ریٹنگ کے تحت الحبيب اسلامک کیش فنڈ کو (f) AA+ ریٹنگ پر تفویض کیا ہے۔

الحبيب اسلامک انکم فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 15.58 فیصد کا سالانہ خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 932.92 ملین روپے رہی جس میں بنیادی طور پر 470.04 ملین روپے سکوکس میں سرمایہ کاری، 389.05 ملین روپے کے بینک ڈپازٹس اور 73.83 ملین روپے کے ٹرم ڈپازٹس رسپٹس سے حاصل ہونے والی آمدنی شامل ہیں۔ اس مدت کے دوران فنڈ نے 14.45 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔ PACRA نے 2 مارچ 2023 کو فنڈ اسٹیبلشمنٹ ریٹنگ کے تحت الحبيب اسلامک انکم فنڈ کو (f) AA ریٹنگ پر دوبارہ توسیع دی۔

الحبيب اسلامک سیونگزن فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 16.12 فیصد کا خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 557.86 ملین روپے رہی جس میں بنیادی طور پر 309.12 ملین روپے کے بینک ڈپازٹس، 210.82 ملین روپے سکوکس میں سرمایہ کاری اور 36.92 ملین روپے کے ٹرم ڈپازٹس رسپٹس سے حاصل ہونے والی آمدنی شامل ہے۔ اس مدت کے دوران فنڈ نے 14.64 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔ PACRA نے 27 جون 2023 کو فنڈ اسٹیبلشمنٹ ریٹنگ کے تحت الحبيب اسلامک سیونگزن فنڈ کو (f) AA ریٹنگ پر تفویض کیا۔

الحبيب اسلامک منافع فنڈ کو 31 مارچ 2023 کو متعارف کرایا گیا تھا۔ اس مدت کے دوران 2 پلانز متعارف کرائے گئے تھے جس میں پلان 1 مورخہ 3 مئی 2023 کو میچور ہوا۔ فنڈ کی مجموعی آمدنی 11.73 ملین روپے تھی جس میں بینک ڈپازٹس سے 6.33 ملین روپے اور سکوکس میں سرمایہ کاری سے 5.40 ملین روپے کی آمدنی شامل تھی۔

الحبيب ایسیٹ ایلوکیشن فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 9.51 فیصد کا خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 11.97 ملین روپے رہی جس میں بنیادی طور پر 5.18 ملین روپے بینک ڈپازٹس، 3.50 ملین روپے منافع منقسمہ، 6.25 ملین روپے کی سرکاری سیکیورٹیز اور 2.96 ملین روپے کے حقیقی اور غیر حقیقی کیپٹل خسارے شامل ہیں۔ اس مدت کے دوران فنڈ نے 8.89 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔

الحبيب اسٹاک فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 4.06 فیصد کا خسارہ ظاہر کیا، فنڈ کا مجموعی خسارہ 0.77 ملین روپے رہا جس میں بنیادی طور پر منافع منقسمہ سے حاصل ہونے والی 11.44 ملین روپے کی آمدنی، بینک ڈپازٹس سے حاصل 2.91 ملین روپے کی آمدنی اور ایکویٹی سرمایہ کاریوں پر 15.12 ملین روپے کے حقیقی اور غیر حقیقی کیپٹل خسارے شامل ہیں۔

## ڈائریکٹران کی جائزہ رپورٹ

الحبيب ایسیٹ مینجمنٹ لمیٹڈ کے بورڈ آف ڈائریکٹرز کیلئے، 30 جون 2023 کو ختم ہونے والے سال کیلئے اپنی مینجمنٹ کے تحت فنڈز کے آڈٹ شدہ مالیاتی حسابات، پیش کرنا باعث مسرت ہے۔

پاکستان کی معیشت اب آئی ایم ایف پروگرام کی بحالی کے بعد مستحکم ہو رہی ہے۔ اندازہ ہے کہ مالی سال 2024 میں شرح نمو میں اضافہ شروع ہو جائے گا۔

موجودہ حکومت کی رائج کی گئی مانیٹری اور مالیاتی پالیسیاں افراط زر میں کمی لانے اور معیشت کو مستحکم کرنے میں معاون ثابت ہوں گے۔

پاکستان اسٹاک ایکسچینج بینچ مارک انڈیکس KSE-100 اس مدت کے دوران ہدف سے کم رہا۔

الحبيب کیش فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 17.28 فیصد کا سالانہ خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 4,272.55 ملین روپے رہی جس میں بنیادی طور پر 3,391.25 ملین روپے کی سرکاری سیکیورٹیز، 797.83 ملین روپے کے بینک ڈپازٹس اور 83.48 ملین روپے کی ٹرم ڈپازٹس رسپٹس سے حاصل ہونے والی آمدنی شامل ہے۔ اس مدت کے دوران فنڈ نے 15.89 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔ VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے 13 دسمبر 2022 کو فنڈ اسٹیبلشمنٹ ریٹنگ کے تحت الحبيب کیش فنڈ کو (f) AA+ ریٹنگ پر دوبارہ توسیع دی۔

الحبيب منی مارکیٹ فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 17.30 فیصد کا سالانہ خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 842.55 ملین روپے رہی جس میں بنیادی طور پر 696.50 ملین روپے کی سرکاری سیکیورٹیز، 139.07 ملین روپے کے بینک ڈپازٹس اور 6.99 ملین روپے کے ٹرم ڈپازٹس رسپٹس سے حاصل ہونے والی آمدنی شامل ہے۔ اس مدت کے دوران فنڈ نے 15.93 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔ VIS کریڈٹ ریٹنگ کمپنی لمیٹڈ نے 30 دسمبر 2022 کو فنڈ اسٹیبلشمنٹ ریٹنگ کے تحت الحبيب منی مارکیٹ فنڈ کو (f) AA+ ریٹنگ پر تفویض کیا ہے۔

الحبيب انکم فنڈ نے 30 جون 2023 کو ختم ہونے والے سال میں 17.20 فیصد کا سالانہ خالص منافع حاصل کیا۔ فنڈ کی مجموعی آمدنی 443.50 ملین روپے رہی جس میں بنیادی طور پر 390.79 ملین روپے کی سرکاری سیکیورٹیز، ٹی ایف سیز اور سکوکس میں سرمایہ کاری، 49.65 ملین روپے کے بینک ڈپازٹس اور 3.06 ملین روپے کی ٹرم ڈپازٹس رسپٹس سے حاصل ہونے والی آمدنی شامل ہیں۔ اس مدت کے دوران فنڈ نے 16.05 روپے فی یونٹ کا مجموعی عبوری منافع منقسمہ تقسیم کیا۔ PACRA نے 2 مارچ 2023 کو فنڈ اسٹیبلشمنٹ ریٹنگ کے تحت الحبيب انکم فنڈ کو (f) AA ریٹنگ پر دوبارہ توسیع دی۔

الحبيب فکسڈ ریٹرن فنڈ کو 15 مارچ 2023 کو متعارف کرایا گیا تھا۔ اس مدت کے دوران 6 پلانز بشمول پلان 1 اور پلان 2 بالترتیب مورخہ 2 جون 2023 اور 16 جون 2023 کو میچور ڈھو گئے تھے۔ فنڈ کی مجموعی آمدنی 154.941 ملین روپے تھی جس میں مرکزی طور پر سرکاری سیکیورٹیز میں سرمایہ کاری کیلئے 147.89 ملین روپے اور بینک ڈپازٹس سے 7.05 ملین روپے کی آمدنی شامل تھی۔

## Our Branches

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