KPMG Taseer Hadi & Co.
Chartered Accountants
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The Board of Directors
MCB - Arif Habib Savings and Investments Limited
2nd floor, Adamjee House
I.I. Chundrigar Road
Karachi

Our ref KA-ZS-127

Contact Amyn Pirani

2 August 2021

Dear Sirs,

Audit of the financial statements for the year ended 30 June 2021

We are pleased to enclose six copies of the draft financial statements of MCB - Arif Habib Savings and Investments Limited ("the Company") for the year ended 30 June 2021 initialled by us for identification purposes along with our draft audit report to the members. We shall be pleased to sign our draft audit report in its present or amended form after these financial statements have been approved by the Board of Directors ("the Board) and signed by the Chief Executive Officer, Chief Financial Officer and a Director authorized to do so, on its behalf and after we have received the following:

a) Specific Board's approval for the items mentioned in Annexure 'A' to this letter;

b) Certain confirmations and other information, details of which are mentioned in Annexure 'B';

c) Director's report of the Company for the year ended 30 June 2021 as approved by the Board of Directors;

d) Representation letter duly signed by the Chief Executive and Chief Financial Officer (draft enclosed); and

e) Signed financial statements along with the auditors' reports for the year ended 30 June 2021 of all funds under the management of the Company.

The responsibilities of the independent auditors in a usual examination of financial statements are stipulated in section 249 of the Companies Act, 2017 and the International Standards on Auditing as applicable in Pakistan. While the auditors are responsible for forming and expressing an opinion on the financial statements, the management is responsible to prepare and present the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan. The management's responsibilities include the maintenance of adequate accounting records and such internal controls as management and Board determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The preparation of financial statements requires management to exercise judgment in making accounting estimates that are reasonable in the circumstances, as well as to select and apply appropriate accounting policies. The Board is responsible for overseeing the strategic direction of the Company and overseeing the financial reporting process. The audit of financial statements does not relieve the Board / management of their responsibilities.

Accordingly, our examination of books of account and records should not be relied upon to disclose all the errors or irregularities which are not material in relation to the financial statements taken as whole.

These annual financial statements shall remain and be deemed un-audited unless these have been approved by the Board, and signed by the Chief Executive Officer and a Director authorized to do so on its behalf and the audit report on these financial statements has been signed by us.

We would like to draw your attention to following accounting and other matters which are relevant to these financial statements:

1. Federal Excise Duty (FED)

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied, effective 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 law.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees through a Constitutional - Petition filed in the Honourable Sindh High Court (SHC) on 4 September 2013 challenging the levy of FED. The Sindh High Court in its decision dated 16 July 2016 maintained the previous order passed against other constitutional petition whereby levy of FED has been declared to be 'Ultra Vires' the Constitution. The Deputy Commissioner Inland Revenue has filed an appeal against the said order in the Honourable Supreme Court of Pakistan considering which the previous balance of FED amounting to Rs. 412.88 million has not been reversed.

Through Finance Act, 2016, FED on services rendered by non-banking financial institutions including asset management companies, which are already subject to provincial sales tax has been withdrawn. Therefore, no provision for FED has been recorded by the Company since 2016.

KPMG

KPMG Taseer Hadi & Co.

2. Sindh Workers Welfare Fund Act, 2014

As mentioned in detail in note 19.1 of the financial statements for the year ended 30 June 2020, the Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the Workers Welfare Fund Ordinance, 1971, through Finance Act 2008, were not lawful as this is not in the nature of tax and therefore could not have been introduced through the money bill. The Federal Board of Revenue has filed review petitions against the above judgment which are currently pending with the Supreme Court of Pakistan. In light of the judgment passed by the Supreme Court, the management believes that the Company is not liable to pay any amount under the Workers Welfare Fund Ordinance, 1971, accordingly an amount of Rs. 14.442 million had been reversed on 12 January 2017.

Further, as a consequence of passage of 18th amendment to the Constitution, levy for Workers Welfare was also introduced by the Government of Sindh (SWWF) which was effective from 1 July 2014. The Company believes that SWWF is not applicable on the Company as it is not a financial institution as defined under SWWF Act, 2014. However, out of abundant caution, the management has decided to provide for SWWF amounting to Rs. 48.7 million with effect from 1 July 2014.

3. Contingencies and commitments

We have been informed by the management that there were no contingencies and commitments as at 30 June 2021 except for those disclosed in note 20 to the financial statements of the Company for the year ended 30 June 2021.

Finally, we would like to thank the management and staff of the Company for the courtesy and co-operation extended to us during the course of our audit.

Yours faithfully,

KPMG Taseer Hadi & Co.

MCB - Arif Habib Savings and Investments Limited

Audit of the financial statements for the year ended 30 June 2021

2 August 2021

Annexure 'A'

ITEMS REQUIRING BOARD'S APPROVALS

	(Rupees in '000)
• Fixed capital expenditure (including additions to capital work in progress)	13,156
• Fixed assets disposed off – net book value	7,141
• Write off of fixed assets – net book value	4,768
• Accrual for bonus to staff as at year end	74,618
• Investments disposed off during the year – sale proceeds	8,028,783
• Investments made during the year	7,989,348
• Deferred tax liability – net as at the year end	67,177
• Transactions and balances with related parties as disclosed in note 38 to these financial statements.	
• Approval of the matters discussed in paragraphs 1 to 3 above.	

Annexure 'A'

PENDING CONFIRMATIONS / INFORMATION

1. CONFIRMATIONS

Bank Confirmations

Bank Name	Branch Name
MCB Bank Limtied	Uni Tower Branch
MCB Bank Limtied	Shaheen Complex Branch
Summit Bank Limited	Uni Tower Branch
Faysal Bank Limited	Faysal House Branch
MCB Islamic Bank	Nice Trade Orbit Branch
Bank Alfalah Limited	Defence Branch

Tax Confirmations

- A.F. Ferguson & Co.

Legal Confirmations

- Bawany and Partners
- Ovais Ali Shah & Co.