



**MCB-ARIF HABIB**  
Savings and Investments Limited

# QUARTERLY REPORT

SEPTEMBER  
**2018**  
(UNAUDITED)

**MCB-Arif Habib Savings and Investments Limited**

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# **Vision**

To become synonymous with Savings.

# **Mission**

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

# **Core Values**

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building and its insistence on universal best practices at all times.

## COMPANY INFORMATION

<b>Board of Directors</b>	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Risk Management Committee</b>	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Company Secretary</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Chief Financial Officer</b>	Mr. Abdul Basit	
<b>Share Registrar</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
<b>Bankers</b>	MCB Bank Limited Summit Bank Limited Bank Al-Habib Limited MCB Islamic Bank Limited Faysal Bank Limited Bank Alfalah Limited	
<b>Auditors</b>	<b>KPMG Taseer Hadi &amp; Co.</b> Chartered Accountants 1st Floor, Shaikh Sultan Trust, Building No. 2, Beaumont Road, Karachi - 75530	
<b>Legal Advisors</b>	<b>Akhund Forbes</b> D-21, Block-4, Scheme-5 Clifton, Karachi  <b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Registered Office</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centrepont, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	Asset Manager: "AM2++"(PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA)	

## **DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

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The Board of Directors of MCB-Arif Habib Savings and Investments Limited (MCBAH) are pleased to present report on the affairs of the company for the quarter ended September 30, 2018.

The Company recorded a gross income of Rs. 191.374 million (September 2017: 159.716 million), which includes management / investment advisory fee and other operating income. After accounting for administrative, operating & financial expenses and income sharing of Rs. 138.881 million (September 2017: 123.092 million), the company earned a profit before tax of Rs. 52.493 million (September 2017: 58.349 million). The net profit after tax for the period amounts to Rs. 32.236 million, as compared to net profit of Rs. 40.827 million for the corresponding period ended September 30, 2017. We expect the assets under management to strengthen further going forward contributing to the revenue growth and profitability.

### **PRINCIPAL BUSINESS**

The Company is a non-banking finance company, licensed as a Pension Fund Manager as well as an Asset Management Company and an Investment Advisor under the Securities and Exchange Commission of Pakistan's regulatory regime.

### **THE BUSINESS ENVIRONMENT**

#### **Economy & Money Market Review**

First quarter of Financial Year 2018-19 (1QFY19) has been a run of political uncertainty, external pressures and economic slowdown. Given the uptick in oil prices, increasing trend in inflation, continuity of external worries, The Monetary Policy Committee (MPC) of State Bank of Pakistan opted for 100 basic points (bps) increases in each of the two meetings conducted in this quarter. The major reason was due to the emergence of inflationary pressures with core inflation expected to creep up with the advent of higher oil and gas prices. Moreover, the Monetary Policy Committee (MPC) highlighted the precarious external account position and need for slowdown in Gross Domestic Product (GDP) growth to arrest the dwindling foreign exchange reserves.

Consumer Price Index (CPI) for the first quarter of Financial Year 2018-19 (1QFY19) was registered at 5.6% as the impact of low base kicked in. Higher international oil prices, weaker currency and upward revision in domestic gas prices is expected to jack up overall inflation figure in Financial Year 2018-19 (FY19), which is expected to average approximately 8.1 per cent compared to last year's inflation of 3.8 per cent. Meanwhile, core inflation is expected to jump above 8.5 per cent.

The external account position kept on highlighting worrisome position for the economy. Current account witnessed a deficit of USD 2.7 billion in first two months of Financial Year 2018-19 (FY19) compared to USD 2.5 billion in the same period last year. A surge in international oil prices is masking the improvement in non oil imports caused by remedial measures, thus causing the current account deficit to remain high. However, the lagged impacts of currency adjustments and monetary tightening are becoming visible as reflected by balance of trade (data of Pakistan Statistical Bureau) declining by 1.6 per cent in the quarter led by decline in non-oil imports. Despite receiving inflows from China, foreign reserves declined by an average of approximately USD 115 million per week. State Bank's foreign exchange reserves stood at USD 8.41 billion reflecting import cover based on State Bank's reserves has reached an alarming level of lesser than 2 months imports.

Rising interest rates, rupee adjustment and external pressures are having impact on growth

## **DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

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trajectory of economy as reflected by large scale manufacturing index which posted a meager increase of 0.5 per cent Year on Year (YoY) in the month of July 2018 broadly supported by production of petroleum products.

Subsequent to monetary tightening by State Bank, bond yield curve showed an upward trajectory where most of the activity took place in floater Pakistan Investment Bonds (PIBs). During first quarter of Financial Year 2018-19 (1QFY19), State Bank of Pakistan conducted 3rd Floater Pakistan Investment Bond (PIB) auction which witnessed a healthy participation of PKR 151 billion out of which bids worth PKR 108 billion were accepted at a rate of benchmark + 70 basic points (bps). Concerns over external front kept market participants shy away from longer tenor Treasury bills with persistence towards accumulation in papers having maturity below or equal to 3 months.

Liquidity remained comfortable throughout first quarter of Financial Year 2018-19 (1QFY19) owing to regular Open Market Operations (OMOs) conducted by State Bank of Pakistan, while scarcity of Shariah Compliant avenues continued in period under review as there was no fresh issuance of Ijara Sukuk despite ample liquidity in the market.

### **Equities Market Review**

The benchmark index lost approximately 2 per cent during the quarter. Market witnessed a cameo, with KSE-100 Index bouncing back approximately 5.4 per cent, just after 5 days of election. The rally was fueled by optimism related to strong central government rather than any tangible change in economic scorecard. Delays in taking required tangible actions by the incumbent government have fizzled out the optimism seen in the initial days after election. Foreigners kept offloading local equities, selling USD 189mn of stocks which was mainly absorbed by Insurance companies (approximately USD 102 million) and Individuals (approximately USD 97 million). Trading volumes during the quarter averaged around approximately 170 million shares depicting a meager increase of approximately 0.45 per cent.

Refineries, Autos, Open Market Operations (OMOs), Power & Cements were the major contributors towards index's decline posting a negative return of approximately 15 per cent / 12 per cent / 8 per cent / 5 per cent / 4 per cent respectively. Refineries dragged the index down due to below-expected earnings. Oil Marketing Companies (OMCs) declined because of massive decline in sales volumes of petroleum products which came down by approximately 32 per cent Year on Year (YoY) for the quarter. Once again, Auto sector continued the declining trend due to continued ban on non-filers for vehicle purchase. Cement sector was yet another disappointment due to higher coal prices (+2% Quarter on Quarter (QoQ)) and concerns on development projects (due to decrease in Public Sector Development Programme (PSDP) allocation) and economic growth going forward.

The sectors that outperformed market were Textiles, Fertilizers & Banks. Textiles surged (+2.4% Quarter on Quarter (QoQ)) due to favorable stance of the newly-elected government geared towards input cost reduction and export promotion for the sector. Moreover, better annual results supported the sector's rally. Fertilizers surged because of favorable sector dynamics (low levels of inventory and higher international prices) resulting in increase in local fertilizer prices. Banks garnered interest on the back of monetary tightening theme.

### **MARKET & ECONOMY - FUTURE OUTLOOK**

The government has announced to approach the International Monetary Fund (IMF) for an economic program to support the fragile external account situation. The program would lead

## **DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

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to required remedial actions of rupee adjustment, monetary tightening, and expenditure curtailment to slow down growth, control the import bill and arrest foreign reserves decline.

For the next year, the economic growth is expected to slow down as currency adjustments and tighter monetary policy will rein on the consumption patterns. However, increased power supply along with the documentation of economy will provide a respite to the economic managers during this critical juncture. We share the optimism on better governance & long term prospects for economic revival amid more focused and sincere efforts to address chronic issues on economic front by the new government; however, the path is likely to be tough and with a number of potentially un-popular policy steps. Given initial plans of Pakistan Tehreek-e-Insaf (PTI), some sense of policy steps can be expected but given the precarious economic conditions, we think immediate term measures to address twin deficits are critical.

Fiscal side would be difficult to manage where we expect fiscal deficit to hover around 5.5 per cent of Gross Domestic Product (GDP). Expenditure constraints would lead to public sector development program curtailments amid higher domestic debt servicing cost due to interest rate increase.

Given pressures on the external front along with rising inflation, State Bank is expected to further tighten the monetary policy by at least 100 bases points (bps) already increased.

The equity market would follow developments on the economic front. Swift economic policy actions would be required to arrest the precarious economic standing and would guide market towards better multiples. In broader terms, we believe, the last two years market performance (down approximately 20 per cent from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current market multiples (approximately 7.5 times) offer little downside potential which puts in a lot of comfort for long term investors. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the country and adjust our portfolio accordingly. Our Top-Down analysis favors sectors that benefit from currency depreciation and higher interest rates; however, we cannot ignore the individual company dynamics along with their prices that can play an important role in security selection.

### **MUTUAL FUND INDUSTRY REVIEW**

The Net Assets of the open end mutual fund industry stood at approximately PKR 577 billion at the end of first quarter of Financial Year 2018-19 (1QFY19). Monetary tightening by the government resulted in an increase in interest rates, bringing flows to the money market funds. Size of Money Market (Islamic/Conventional), Fund of Funds (Islamic/Conventional) and Conventional Equities increased, while assets under management of all other categories decreased in first quarter of Financial Year 2018-19 (1QFY19) as compared to Financial Year 2017-18 (FY18).

In terms of the segment share, Equity and Equity related funds continued to be the leader with a share of around 60 per cent, followed by Money Market funds with a share of 25 per cent and Income funds having a share of 15 per cent as at the end of first quarter of Financial Year 2018-19 (1QFY19).

The Net Assets of Pension Funds stood at approximately PKR 26 billion at the end of first quarter of Financial Year 2018-19 (1QFY19). The size of both Conventional and Shariah-



## **DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2018**

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Compliant funds decreased by approximately 4 per cent and 0.1 per cent respectively. Amongst sub-categories, size of Debt and Equity funds decreased while those of Money Market funds increased.

### **MUTUAL FUND INDUSTRY OUTLOOK**

In the wake of expected increase in interest rates, fixed income fund should garner attention over the short to medium term. Interest in equity space would be contingent on how the government tackles the external crisis, bringing the confidence back into the markets.

Digitization has touched upon various aspects of our lives. It all started with digitizing our social networks, purchase of goods online, transactions on the internet, lifestyle enhancements and now our finances too.

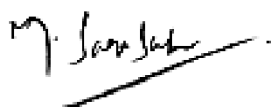
Our unique direct-to-consumer (D2C) distribution through **iSave** is changing the rules of engagement in the asset management industry. A few years back, an investor residing in a small town could not have imagined having access to wealth advisory. He would typically have had his money in a savings bank account or fixed deposit. Digitization has changed this scenario for us. We are now investing and utilizing our digital strengths through smart targeting and creating new processes to tap this customer segment which was earlier under the radar and difficult to reach. By utilizing mobile, social media, big data, analytics and FinTech, the process are becoming paperless, efficient, easy and allows real-time access to manage your funds.

Technology has enabled wider geographical reach, providing relevant and unbiased advisory and customer delight, all at the same time. With such marketing efforts we have started spreading financial awareness to the remotest parts of the country and bridging geographical difference. We believe increased investment in our business, distribution and technology shall augur well with more visible impact on profitability gradually from next couple of years.

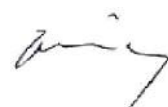
### **ACKNOWLEDGEMENT**

The Board of Directors of the Management Company is thankful to the Securities and Exchange Commission of Pakistan, the management of the Pakistan Stock Exchange Limited for their continued support and cooperation. The Directors also appreciate the efforts put in by the employees of the Company for their commitment and dedication and shareholders for their confidence in the Company.

For and on Behalf of Board



**Muhammad Saqib Saleem**  
Chief Executive Officer  
Karachi: October 22, 2018



**Nasim Beg**  
Director/Vice Chairman



ڈی جازیشن نے ہماری زندگی کے مختلف پہلوؤں کو چھو لیا ہے۔ یہ سب ہمارے سماجی نیٹ ورکس کو ڈرائیو کرنے، آن لائن اشیا کی خریداری، انٹرنیٹ پر ٹرانزیکشنز، کی طرز زندگی میں اضافے اور اب ہمارے مالیات کے ساتھ بھی شروع ہوا۔

آئی ایس او کے ذریعہ ہمارے منفرد براہ راست صارف (D2C) کی تقسیم اثاثہ منجمنٹ کی صنعت میں مصروفیت کے قوانین کو تبدیل کر رہا ہے۔ چند سال پہلے ایک چھوٹا سے شہر میں رہنے والے ایک سرمایہ کار کو تصورات کی اصلاح نہیں تھی کہ وہ امیر کے مشورے تک رسائی حاصل کر سکے۔ وہ عام طور پر بچت بینک اکاؤنٹس یا فکس ڈپازٹ میں اپنا پیسہ لائے گا۔ ڈیجیٹلائزیشن نے ہمارے لئے یہ منظر بدل دیا ہے، اب ہم اپنے ڈیجیٹل طاقتوں کو سمارٹ ہدف کے ذریعہ سرمایہ کاری اور اس کسٹمر سیکشن کو ختم کرنے کے لئے نئے طریقے سے عمل درآمد کر رہے ہیں جو پہلے سے ہی رڈ آر کے ماتحت اور پہنچنے میں مشکل تھا۔ موبائل، سوشل میڈیا، بڑے اعداد و شمار، تجزیات اور فنڈز کے استعمال سے یہ عمل کا غذاتی، موثر اور آسان بن جاتا ہے اور اپنے فنڈز کو منظم کرنے کے لئے حقیقی وقت تک رسائی کی اجازت دیتا ہے۔

ٹیکنالوجی نے وسیع جغرافیائی تک رسائی پہنچائی ہے، متعلقہ اور غیر مشق مشاورتی اور گاہک کی خوشی کے ساتھ ساتھ، ایک ہی وقت میں، اس طرح کی مارکیٹنگ کی کوششوں کے ساتھ ہم نے ملک کے سب سے بہتر حصوں میں مالی بیداری پھیلانے اور جغرافیائی فرق کو پھیلانے کا آغاز کیا ہے۔ ہم یقین رکھتے ہیں کہ ہمارے کاروبار، تقسیم اور ٹیکنالوجی میں سرمایہ کاری میں اضافہ اگلے چند برسوں سے آہستہ آہستہ منافع پر زیادہ اثر بہتر ہوگا۔

اظہار تشکر:

منجمنٹ کمپنی کے بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، ان کی مسلسل حمایت اور تعاون کے لئے پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ کے شکر گزار ہیں۔ ڈائریکٹر بھی کمپنی میں ان کے اعتماد کے لئے ان کے عزم اور لگن اور حصص یافتگان کے لیے کمپنی کے ملازمین کی کوششوں کی تعریف کرتے ہیں۔

منجانب ڈائریکٹرز،



نسیم بیگ  
ڈائریکٹر / نائب چیئر مین



محمد ثاقب سلیم  
چیف ایگزیکٹو آفیسر  
کراچی: 22 اکتوبر، 2018ء

اشتراک کرتے ہیں۔ تاہم یہ راستہ سخت اور ممکنہ غیر مقبول یا کے اقدامات میں امکانات کا امکان ہے۔ پاکستان تحریک انصاف کی ابتدائی منصوبہ بندی کو دھوکے کچھ پالیسیوں کی ترقی کی توقع کی جاسکتی ہے لیکن غیر معمولی معاشی حالات کو پورا کرنے کے لئے ہم سوچتے ہیں کہ دونوں خساروں کو حل کرنے کے لئے فوری طور پر اقدامات کیے جاتے ہیں۔

مالیاتی ادارے کے لئے یہ انتظام کرنا مشکل ہوگا کہ ہم مالی خسارے کے متوقع ہو سکتے ہیں یا مجموعی گھریلو مصنوعات (GDP) کی 5.5 فی صد کی کمی ہو رہی ہے۔ اخراجات میں اضافے، گھریلو قرضوں کی قیمتوں میں اضافے کی وجہ سے عوامی شعبے کی ترقی کے پروگرام میں کمی کا سبب بنے گا۔

بڑھتی ہوئی افراط زر کے ساتھ ساتھ بیرونی فرنت پر دیئے جانے والے دباؤ پر اسٹیٹ بینک سے کم از کم 100 بنیادی پوائنٹس (bps) میں پہلے ہی اضافہ ہوا ہے۔ ایکویٹی مارکیٹ میں اقتصادی محاذ پر پیش رفت کرے گی۔ فوری معیشت کے اقدامات ناقابل اعتماد اقتصادی موقف کو روکنے کے لئے ضروری ہوگی اور مارکیٹ میں بہتر ملحقہ کی راہنمائی کرے گی۔ وسیع تر شرائط پر ہم یقین رکھتے ہیں کہ گزشتہ دو سال میں مارکیٹ کی کارکردگی (چوٹی کی سطح سے تقریباً 20 فی صد) نے سیاسی اور اقتصادی سمت پر خدشات کی عکاسی کی ہے اور یہ بھی سائیکل اسٹاک کی کارکردگی میں عکاسی کرتی ہے، جہاں اسٹاک کی قیمتوں میں اضافہ بھی تیز ہوگا۔ ہم اپنے موقف کا دوبارہ تسلسل جاری رکھیں گے کہ موجودہ مارکیٹ کے ملحقہات (تقریباً 7.5 اوقات) تھوڑی دیر میں ممکنہ پیشکش کرتے ہیں جو طویل مدتی سرمایہ کاروں کے لئے آرام دہ ہے۔ ہم یقین رکھتے ہیں کہ اسٹاک میں اسٹیٹس صرف آہستہ آہستہ انکشاف کریں گا جس سے اعتماد میں آئیں گے اور اقتصادی پالیسیوں کو متوقع طور پر نظر انداز کرتے ہیں۔ لہذا آگے آگے اسٹاک مریض سرمایہ کاروں کے لئے انعامات کے ساتھ طویل مدتی سرمایہ کاری کا موقع پیش کرتے ہیں۔ ہم ملک کے اقتصادی اشارے میں رجحانات کو ٹریک کرتے ہیں اور اس کے مطابق اپنے پورٹ فولیو کو ایڈجسٹ کرتے ہیں۔ ہمارے اوپر سے نیچے کا تجزیہ سے شعبوں نے فائدہ اٹھایا ہے جو کرنسی کی قیمتوں میں اضافے اور اعلیٰ سود کی شرح سے فائدہ اٹھایا۔ تاہم ہم انفرادی کمپنی کو متحرک نظر انداز نہیں کر سکتے، جو ان کی قیمتوں کے ساتھ سیکورٹی انتخاب میں اہم کردار ادا کر سکتا ہے۔

#### باہمی فنڈ کی صنعت کا جائزہ:

اوپن اینڈ میوچل فنڈ انڈسٹری کے مکمل اثاثے مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے اختتام پر 577PKR بلین روپے تک پہنچ گئے۔ حکومت کی جانب سے سختی نے سود کی شرح میں اضافے کے نتیجے میں منی مارکیٹ کے فنڈز میں بہاؤ پیدا کیا۔ منی مارکیٹ (اسلامی/روایتی) کا سائز، فنڈ آف فنڈز (اسلامی/روایتی) اور روایتی ایکویٹیز میں اضافہ ہوا، جبکہ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی میں دیگر سالوں کے انتظام کے تحت اثاثہ مالی سال 2017 کے مقابلے میں 18 (FY18) ہوا۔

حصص کے حصول کے لحاظ سے ایکویٹی اور ایوارڈ سے متعلق فنڈز تقریباً 60 فیصد حصص کے رہنمائی کریں گے، اس کے بعد پیسے مارکیٹ میں فنڈز 25 فیصد حصص کے ساتھ ہیں اور انکم فنڈز 15 فی صد کا حصہ ہے، جبکہ مالی سال 2018-19 (1QFY19) کے مقابلے میں 17-18 (FY18) کی پہلی سہ ماہی میں کمی آئی ہے۔ پنشن فنڈز کے نیٹ اثاثے مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے اختتام پر تقریباً 26PKR ارب ہو گئے ہیں۔ روایتی اور شرعی مطابقت فنڈز دونوں کا سائز تقریباً 4 فی صد اور 0.1 فی صد سے کمی آئی، ذیلی شعبوں کے درمیان، منی اور ایکویٹی فنڈز کا سائز کم ہو گیا جبکہ منی مارکیٹ کے فنڈز میں اضافہ ہوا۔

#### باہمی فنڈ انڈسٹری آؤٹ لک:

سود کی شرح میں متوقع اضافے کے باعث مقررہ آمدنی فنڈز کو کم سے کم درمیانے درجے کے دوران توجہ دینا چاہئے۔ مساوات میں دلچسپی کا سامنا کرنا پڑے گا اور حکومت کو خارجہ بھران سے نمٹنے کے لئے اعتماد کو مارکیٹوں میں واپس لانا پڑے گا۔

اسٹیٹ بینک کی جانب سے مالیاتی تنصیبات کے بعد بانڈ کی پیداواری گراف نے ایک ایسی پیش رفت ظاہر کی، جہاں پاکستان کی سرمایہ کار بانڈز (PIB) میں زیادہ سے زیادہ سرگرمی ہوئی۔ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے دوران، اسٹیٹ بینک آف پاکستان نے تیسرے فلوٹر پاکستان سرمایہ کاری بانڈ (PIB) کی نیلامی کا اہتمام کیا جس میں 151 ارب روپے کی بڑی شراکت کی۔ جس میں سے 108 بلین روپے کا معیار 70 بنیادی پوائنٹس (bps) کی قیمتوں میں منسلک کیا گیا تھا۔ خارجہ محاذ کے بارے میں خدشات نے مارکیٹ کے شرکاء کو طویل عرصے سے خزانہ بلوں سے لے کر رکھا ہے جس میں جمع ہونے والی کاغذات میں 3 مہینے کے برابر یا مساوی ہونے کے سلسلے میں مسلسل اضافہ ہوتا ہے۔

اسٹیٹ بینک آف پاکستان نے باقاعدہ اوپن مارکیٹ آپریشنز (OMO) کے ذریعہ مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی میں آرام دہ اور پرسکون رہا، جبکہ شرعی مطابقت پذیر راستے کی کمی کا جائزہ لینے کے دوران جاری رہا کیونکہ بازار میں کافی پلچل کے باوجود Ijara Sukuk کا کوئی تازہ اجراء نہیں ہوا تھا۔

#### ایکویٹیز مارکیٹ کا جائزہ:

سہ ماہی کے دوران بیجنگ انڈیکس میں 2 فی صد کا نقصان ہوا۔ مارکیٹ میں آنے والے 5 دن کے بعد کے ایس ایس 100 انڈیکس نے 5.4 فی صد کم ہوا۔ اقتصادی سکور کارڈ میں کسی بھی زبردست تبدیلی کے بجائے ریلی کو مضبوط مرکزی حکومت سے متعلق امید سے آگاہ کیا گیا تھا۔ موجودہ حکمرانوں کی طرف سے ضروری ٹھوس اقدامات کرنے میں تاخیر، انتخابات کے بعد ابتدائی دنوں میں دیکھے جانے والی امید کا مظاہرہ کیا ہے۔ غیر ملکیوں نے مقامی اقوام متحدہ کو بند کر دیا، 18.9 بلین ڈالر کا اشاک فروخت کیا جو بنیادی طور پر انشورنس کمپنیوں کی طرف سے (تقریباً 102 بلین ڈالر) اور افراد (تقریباً 97 بلین امریکی ڈالر) کی طرف سے لیا گیا تھا۔ سہ ماہی کے دوران ٹریڈنگ کی مقدار تقریباً 170 بلین حصص میں تقریباً 0.45 فی صد کا معمولی اضافہ ہوا۔

ریفائزریریز، آٹو، اوپن مارکیٹ آپریشنز (OMOs)، پاور اور سیٹھ انڈیکس کی کمی کے باعث اہم شراکت دار تھے۔ جس میں 15 فی صد/12 فی صد/8 فی صد/5 فی صد/4 فی صد کی منفی واپسی کی گئی تھی۔ ذیل میں متوقع آمدنی کی وجہ سے ریفائزریریز نے انڈیکس کو ڈرا دیا۔ تیل مارکیٹنگ کمپنیوں (OMCs) نے پیٹرولیم مصنوعات کی فروخت کے حجم میں بڑے پیمانے پر کمی کی وجہ سے اس سہ ماہی میں تقریباً 32 فی صد سالانہ (YoY) نیچے آنے کی وجہ سے کم ہوا۔ ایک بار پھر گاڑی کی خریداری کے لئے نان فلٹر پر مسلسل پابندیوں کی وجہ سے آٹو سیکٹر نے کمی کی رجحان کو جاری رکھا۔ کونلہ کے شعبے میں اعلیٰ کوئلے کی قیمتوں کی وجہ سے ابھی تک ایک مایوسی ہوئی تھی (سہ ماہی میں 2% + (QoQ)) اور ترقیاتی منصوبوں پر تشویش، پبلک سیکٹر ڈولپمنٹ پروگرام (PSDP) مختص میں کمی کی وجہ سے اور اقتصادی ترقی آگے بڑھتی ہے۔ ٹیکسٹائل، فیریلٹائر اور راور بنک کے شعبے مارکیٹ سے باہر تھے۔ ٹیکسٹائل انڈسٹری میں (2.4% + سہ ماہی (QoQ)) کی وجہ سے اور برآمد کے فروغ، نئی منتخب حکومت کے مناسب موقف کی وجہ سے علاقے کے لئے لگائی گئی لاگت میں کمی ہوئی۔ اس کے علاوہ، بہتر سالانہ نتائج نے سیکٹر کے مجموعہ کی حمایت کی۔ کھاد، مقامی شعبوں کی قیمتوں میں اضافہ (انوینٹری کی کم سطح اور اعلیٰ بین الاقوامی قیمتیں) سے اور سردیوں میں اضافے سے مقامی کھاد کی قیمتوں میں اضافے ہوئے۔ بینکوں نے مالیاتی مرکزی خیال کے موضوع کے پیچھے دلچسپی ظاہر کی۔

#### مارکیٹ اور اقتصادی - مستقبل کے حل:

حکومت نے بین الاقوامی مالیاتی فنڈ (IMF) سے متعلق معاشی پروگرام کے نازک بیرونی اکاؤنٹ کی صورتحال کی حمایت کرنے کا اعلان کیا ہے۔ پروگرام کو منی ایڈجسٹمنٹ، مالیاتی سختی، اور اخراجات میں کمی کی ضرورت ہوتی ہے، ترقی کو مست کرنے، درآمدات کے بل کو کنٹرول کرنے اور غیر ملکی ذخائر کو کم کرنے میں کمی کی ضرورت ہوتی ہے۔

اگلے سال کے لئے اقتصادی ترقی میں کمی کی توقع کی جاسکتی ہے کیونکہ کرنسی ایڈجسٹمنٹ اور مانیٹری پالیسی کی کھپت کے نمونے پر مل جائے گی۔ تاہم معیشت کی

دستاویزات کے ساتھ ساتھ بجلی کی فراہمی میں اضافے کو اس اہم مرحلے کے دوران معاشی مینجمنٹ کو ایک مہلت فراہم ہوگی۔ ہم نئی حکومت کی طرف سے اقتصادی محاذ پر دائمی مسائل کو حل کرنے کے لئے زیادہ توجہ مرکوز کریں گے اور مخلص کوششوں کے درمیان اقتصادی اصلاح کے لئے بہتر حکومتی نظام اور طویل مدتی امکانات پر خوشگوار

ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ کے ڈائریکٹر بورڈ (MCBAH) 30 ستمبر، 2018 کو ختم ہونے والے سہ ماہی کے لئے کمپنی کے معاملات پر رپورٹ پیش خدمت ہیں۔

کمپنی نے مجموعی آمدنی ریکارڈ کی 191.374 ملین (ستمبر 2017: 159.716 ملین)، کی جس میں انتظام/سرمایہ کاری مشاورتی فیس اور دیگر آپریٹنگ آمدنی شامل ہے۔ انتظامی، آپریٹنگ اور مالی اخراجات اور روپے کی آمدنی کا حصول کے لئے اکاؤنٹنگ کے بعد 138.881 ملین (ستمبر 2017: 123.092 ملین) روپے کمپنی نے ٹیکس سے پہلے منافع حاصل کیا۔ 52.498 ملین (ستمبر 2017: 58.349 ملین) روپے اس مدت کے لئے ٹیکس کے بعد خالص منافع ہے۔ 28.447 ملین روپے کی خالص منافع کے مقابلے میں 30 ستمبر، 2018 کو اسی مدت کے لئے 40.827 ملین روپے ہے۔ ہم آمدنی کی ترقی اور منافع بخش میں مزید آگے آگے بڑھانے کے لئے مینجمنٹ کے تحت اثاثوں کی توقع رکھتے ہیں۔

#### بنیادی کاروبار:

کمپنی ایک غیر بینکنگ فنانس کمپنی ہے، جو پنشن فنڈ مینجرج کے ساتھ ساتھ ایک اثاثہ مینجمنٹ کمپنی اور پاکستان کے ریگولیٹری ریسکیو کے ایکٹیو اور ایکٹیویشن کے تحت ایک سرمایہ کاری کے مشیر کے طور پر لائسنس یافتہ ہے۔

#### کاروباری ماحول:

#### معیشت اور منی مارکیٹ کی جائزہ:

مالی سال 2018-19 کی پہلی سہ ماہی میں (1QFY19) سیاسی غیر یقینی، بیرونی دباؤ اور اقتصادی کمی کا شکار ہو گیا ہے۔ تیل کی قیمتوں میں اضافہ، بیرونی افواج کی مسلسل تسلسل، بڑھتی ہوئی رجحان میں اضافہ، اسٹیٹ بینک آف پاکستان کے مونٹری پالیسی کمیٹی (MPC) نے اس سہ ماہی میں منعقد ہونے والے دونوں اجلاسوں میں 100 بنیادی پوائنٹس (bps) کے اضافے کے لئے انتخاب کیا۔ اہم وجہ یہ تھی کہ انفراسٹرکچر کے دباؤ کے نتیجے میں بنیادی افراط زر کے ساتھ اعلیٰ تیل اور گیس کی قیمتوں کی آمد کے ساتھ پیدا ہونے کی امید ہے۔ اس کے علاوہ، مونٹری پالیسی کمیٹی (MPC) نے غیر ملکی خارجہ اکاؤنٹ کی حیثیت کو کم کرنے کے لئے غیر ملکی ادارے کی حیثیت اور مجموعی گھریلو مصنوعات (GDP) کی ترقی میں کمی کی ضرورت پر زور دیا ہے۔

مالی سال 2018-19 (1QFY19) کی پہلی سہ ماہی کے لئے صارفین کی قیمت انڈیکس (CPI) 5.6 فیصد کے اثرات کے طور پر رجسٹر کیا گیا تھا۔ عالمی بین الاقوامی قیمتوں میں اضافہ، گھریلو گیس کی قیمتوں میں کمزور کرنسی اور اوپر کی نظر ثانی کی امید ہے، مالی سال 2018-19 (مجموعی طور پر انفراسٹرکچر کے اعداد و شمار کو جیک)، جو گزشتہ سال کی شرح 3.8 فی صد کی شرح سے تقریباً 8.1 فیصد ہوا ہے۔ دریں اثنا، بنیادی افراط زر کی شرح 8.5 فیصد سے زائد ہے۔

معیشت کے لئے تشویشناک پوزیشن کو نمایاں کرنے پر بیرونی اکاؤنٹ کی حیثیت رکھتی ہے۔ موجودہ اکاؤنٹ نے مالی سال 2018-19 کے پہلے دو مہینوں میں 2.7 ارب امریکی ڈالر کا خسارہ دیکھا تھا جو گزشتہ سال اسی مدت میں 2.5 ملین ڈالر ہوا تھا۔ بین الاقوامی آئل کی قیمتوں میں اضافے کی وجہ سے نجی درآمدات کی وجہ سے غیر تیل کی درآمد میں بہتری آرہی ہے، اس وجہ سے موجودہ اکاؤنٹ کے خسارے کو زیادہ رہنے کا باعث بنتا ہے۔ تاہم، کرنسی کے ایڈجسٹمنٹ کے نقطہ نظر اور مالیاتی سختی کی وجہ سے تجارت کی توازن (پاکستان کے اعداد و شمار، بیورو کے اعداد و شمار) کے طور پر ظاہر ہوتا ہے کہ غیر تیل درآمد میں کمی کی وجہ سے سہ ماہی میں 1.6 فی صد کی ہوئی۔ چین سے آمدنی حاصل کرنے کے باوجود، ہر ہفتے غیر ملکی ذخائر تقریباً 115 ملین امریکی ڈالر سے کم ہو گئے۔ اسٹیٹ بینک کے غیر ملکی کرنسی کے ذخائر 8.41 بلین ڈالر پر کھڑے ہوئے ہیں جو اسٹیٹ بینک کے ذخائر کی بنیاد پر درآمد کا احاطہ کرتا ہے، اس سے دو ماہ کے مقابلے میں زیادہ خطرناک حد تک پہنچ گئی ہے۔

بڑھتی ہوئی سود کی شرح، منی ایڈجسٹمنٹ اور بیرونی دباؤ معیشت کی ترقی کے اثرات پر اثر انداز کر رہی ہیں، جس میں بڑے پیمانے پر مینوفیکچرنگ انڈیکس کی طرف اشارہ کیا گیا جس سے پٹرولیم کی مصنوعات میں جولائی 2018 کے مہینے میں 0.5 فیصد اضافہ ہوا۔

# CONDENSED INTERIM BALANCE SHEET AS AT SEPTEMBER 30, 2018

	Note	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
----- Rupees -----			
<b>ASSETS</b>			
<b>Non-current assets</b>			
Fixed assets	4	404,380,599	400,730,566
Long-term investments	5	521,166,831	520,628,175
Long-term loans and prepayments		31,844,036	30,230,650
Long-term deposits		3,941,188	3,089,228
		961,332,654	954,678,619
<b>Current assets</b>			
Receivable from related parties		512,602,185	511,110,119
Loans and advances		30,671,190	7,072,270
Deposits, prepayments and other receivables		78,397,527	75,108,196
Accrued mark-up		243,933	200,207
Short-term investments	6	577,173,632	618,571,508
Advance tax - net of provisions		66,885,512	62,495,927
Cash and bank balances		24,887,421	19,491,053
		1,290,861,401	1,294,049,280
<b>Total assets</b>		<b>2,252,194,055</b>	<b>2,248,727,899</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Share capital and reserves</b>			
Authorized share capital			
72,000,000 (2018: 72,000,000) ordinary shares of Rs. 10 each		720,000,000	720,000,000
Issued, subscribed and paid-up share capital		720,000,000	720,000,000
Reserves		879,772,615	847,536,132
<b>Total equity</b>		<b>1,599,772,615</b>	<b>1,567,536,132</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred tax liability - net		56,363,097	54,837,186
<b>Current liabilities</b>			
Unclaimed dividend		4,127,976	4,203,632
Trade and other payables		591,930,368	622,150,949
<b>Total liabilities</b>		<b>652,421,440</b>	<b>681,191,767</b>
<b>Total equity and liabilities</b>		<b>2,252,194,055</b>	<b>2,248,727,899</b>
<b>CONTINGENCIES AND COMMITMENTS</b>			

10

Chief Executive Officer

Chief Financial Officer

Director

# CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

		Quarter ended	
	Note	September 30, 2018	September 30, 2017
-----Rupees-----			
<b>Revenue</b>			
Management fee / Investment advisory fee	7	179,049,923	168,894,426
Processing and other related income		4,331,633	1,998,591
Profit on bank deposits		685,774	244,863
Dividend income		14,357,707	-
Capital (loss) / gain on sale of investments - net		(8,100,413)	(15,797,466)
Unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss' - net		1,037,110	4,370,219
Other income		13,096	6,172
<b>Total income</b>		<b>191,374,830</b>	<b>159,716,805</b>
<b>Expenses</b>			
Administrative and operating expenses	8	(126,170,794)	(98,711,174)
Selling and distribution expenses	9	(11,424,167)	(23,097,953)
Financial charges		(216,425)	(92,119)
Worker's welfare fund		(1,070,000)	(1,191,000)
<b>Total expenses</b>		<b>(138,881,385)</b>	<b>(123,092,246)</b>
Reversal on provision of selling and distribution expenses		-	21,725,155
<b>Profit for the quarter before taxation</b>		<b>52,493,445</b>	<b>58,349,714</b>
<b>Taxation</b>			
- Current		(18,731,051)	(15,673,796)
- Deferred		(1,525,911)	(1,849,294)
		(20,256,962)	(17,523,090)
<b>Profit for the quarter after taxation</b>		<b>32,236,483</b>	<b>40,826,624</b>
Earning per share - basic and diluted		0.45	0.57

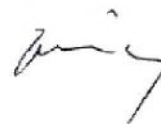
The annexed notes form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer



Director

# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended	
	September 30, 2018	September 30, 2017
	Rupees	
Profit for the quarter after taxation	32,236,483	40,826,624
Other Comprehensive income for the quarter		
Unrealised appreciation/(diminution) on re-measurement of 'other comprehensive income' financial assets - related parties	-	(49,006,409)
Total comprehensive profit / (loss) for the quarter	32,236,483	(8,179,785)

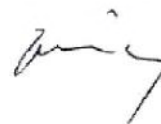
The annexed notes form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer



Director



# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Quarter ended	
	September 30, 2018	September 30, 2017
	-----Rupees-----	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit for the period before taxation	52,493,445	58,349,714
<b>Adjustments for non cash and other items:</b>		
Depreciation	4,353,894	4,492,196
Amortisation	2,557,985	1,642,538
Capital (loss) / gain on sale of investments - net	8,100,413	15,797,466
Loss / (Gain) on fixed assets	-	182,179
Unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss' - net	(1,037,110)	(4,370,219)
	13,975,182	17,744,160
	66,468,627	76,093,874
<b>WORKING CAPITAL CHANGES</b>		
<b>(Increase) / decrease in current assets</b>		
Receivable from related parties	(1,492,066)	(44,506,353)
Deposits, prepayments and other receivables	(4,185,017)	(5,625,523)
Loan and advances	(23,598,920)	(16,273,710)
	(29,276,003)	(66,405,587)
<b>(Decrease) / increase in current liabilities</b>		
Trade and other payables	(30,296,238)	(50,612,634)
<b>NET CASH USED IN WORKING CAPITAL CHANGES</b>	(59,572,241)	(117,018,221)
<b>CASH GENERATED FROM OPERATIONS</b>	6,896,386	(40,924,347)
Income tax paid	(23,120,637)	(13,786,256)
<b>NET CASH USED IN OPERATING ACTIVITIES</b>	(16,224,251)	(54,710,603)
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed capital expenditure	(2,565,160)	(10,624,063)
Additions in capital work in progress	(7,996,752)	(2,316,954)
Proceeds from sale of property and equipments	-	43,960
Investment made - net	33,795,917	64,022,848
Long term loans and receivables	(1,613,386)	(362,119)
<b>NET CASH GENERATED FROM INVESTING ACTIVITIES</b>	21,620,620	50,763,672
<b>NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS</b>	5,396,368	(3,946,930)
Cash and cash equivalents at the beginning of the period	19,491,053	18,692,497
Cash and cash equivalents at the end of the period	<b>24,887,421</b>	<b>14,745,567</b>

The annexed notes form an integral part of this condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

**MCB Arif Habib Savings and Investments Limited**16

**Chief Executive Officer**

**Chief Financial Officer**

**Director**

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

## 1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB-Arif Habib Savings and Investments Limited ("the Company") was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on August 30, 2000 as an unquoted public limited company under the requirements of the Companies Ordinance, 1984. During 2008, AHIML was listed on the Karachi Stock Exchange Limited (now integrated into the Pakistan Stock Exchange Limited) by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of AHIML was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited" (AHIL). On January 19, 2011, a transfer agreement was signed between Arif Habib Corporation Limited (AHCL) [the then parent of AHIL] and MCB Bank Limited (MCB Bank) [the then parent of MCB Asset Management Company Limited (MCB AMC)] for the transfer of the entire business of MCB AMC to AHIL to achieve synergies in business and to access a wider distribution network. The scheme of amalgamation ("the Scheme") was approved by the shareholders of AHIL and MCB AMC in their respective extraordinary general meetings held on May 21, 2011. The Scheme was also approved by the Securities and Exchange Commission of Pakistan (SECP) with the effective date of amalgamation being June 27, 2011 (the effective date). In accordance with the terms contained in the Scheme, the Company became a subsidiary of MCB Bank Limited from the end of the year ended June 30, 2011 which owns 51.33% ordinary shares in the Company till date. Pursuant to the merger of MCB AMC with and into AHIL, the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from May 23, 2013.
- 1.2** The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 1.3** The registered office of the Company is situated at 24th Floor, Centrepont, Off Shaheed-e- Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.
- 1.4** The Company has been assigned an Asset Manager rating of AM2++ by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on October 08, 2018. Currently, the Company is managing the following funds under management:

	Net assets value as at	
	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	----- Rupees in million -----	
<b>Open-end Collective Investment Schemes (CISs)</b>		
Pakistan Income Fund	1,925	1,519
MCB Pakistan Stock Market Fund	11,773	10,113
MCB Pakistan Sovereign Fund	617	585
Pakistan Capital Market Fund	612	619
Pakistan Cash Management Fund	345	889
Pakistan Income Enhancement Fund	877	1,350
MCB Pakistan Asset Allocation Fund	3,093	3,213
MCB DCF Income Fund	3,845	4,872
MCB Cash Management Optimizer	14,074	11,993

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

	Net assets value as at	
	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	----- Rupees in million -----	
MCB Pakistan Frequent Payout Fund	372	487
Alhamra Islamic Asset Allocation Fund	3,888	3,633
Alhamra Islamic Stock Fund	3,203	3,550
Alhamra Islamic Income Fund	2,686	2,715
Alhamra Islamic Active Asset Allocation Fund Plan - I	1,328	1,404
Alhamra Islamic Active Asset Allocation Fund Plan - II	768	794
Alhamra Daily Dividend Fund	119	502
<b>Pension Funds</b>		
Pakistan Pension Fund	976	1,572
Alhamra Islamic Pension Fund	891	774
<b>Discretionary portfolio</b>	33,593	32,106

The Company is also managing investments under discretionary portfolio management agreements, the details of which are given below:

	Net assets value as at	
	September 30, 2018 (Unaudited)	June 30, 2018 (Audited)
	----- Rupees in million -----	
Number of clients	79	78
Total portfolio at cost	31,866	31,180
Total portfolio at market value	29,817	30,681
	<b>September 30, 2018</b>	<b>September 30, 2017</b>
Fee earned (Rs in millions)	6	2

- 1.5** In accordance with the requirements of Rule 9, of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003, the Company has obtained sufficient insurance coverage from Jubilee General Insurance Company Limited against any loss that may be incurred as a result of employees' fraud or gross negligence. The insurance Company has been assigned a credit rating of AA+ by the Pakistan Credit Rating Agency Limited (PACRA).

## 2 BASIS OF PRESENTATION

### 2.1 Statement of compliance

- a) This condensed interim financial information has been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

the Companies Ordinance, 1984, 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 the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

- b) The Companies Act, 2017 (the Act) has brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation surplus on fixed assets, change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures which have been included in these financial statements.
- c) The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published financial statements of the Company for the year ended June 30, 2018.
- d) This condensed interim financial information is unaudited. The Board of Director of the Company declares that this condensed interim financial information gives a true and fair view of the state of the Company's affairs.
- e) The "date of initial application" of IFRS 9 is the date when the entity first applies its requirements. Therefore, the beginning of an interim or annual reporting period i.e July 01, 2018 is the date of initial application and applied prospectively because it is not possible to do so without the use of hindsight and is impracticable, therefore comparative figures are not restated. The comparatives in the condensed interim statement of assets and liabilities presented in the condensed interim financial information as at September 30, 2018 have been extracted from the audited financial statements of the Company for the year ended June 30, 2018.

### 2.2 Accounting Convention

This condensed interim financial information has been prepared under the historical cost convention except that investments have been marked to market and are carried at their respective fair value.

### 2.3 Functional and presentation currency

This condensed interim financial information is presented in Pakistani Rupee which is the Company's functional and presentation currency.

## 3 "SIGNIFICANT ACCOUNTING AND RISK MANAGEMENT POLICIES, ESTIMATES, ASSUMPTIONS AND CHANGES THEREIN"

- 3.1 The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Company for the year ended June 30, 2018.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

- 3.2** The preparation of this condensed interim financial information in conformity with the approved accounting standards requires management to make estimates, assumptions and use judgements that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including reasonable expectations of future events. Revisions to accounting estimates are recognised prospectively commencing from the period of revision.

The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2018

- 3.3** The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Company for the year ended June 30, 2018.

- 3.4** Standards, interpretations and amendments to published approved accounting standards that are effective in the current period

- a)** Standards, interpretations and amendments to published approved accounting standards that are effective and relevant

The Companies Act, 2017 (the Act) has brought certain changes with regard to preparation and presentation of annual financial statements of the Company. These changes also include change in respect of recognition criteria of revaluation surplus on fixed assets, change in nomenclature of primary statements, etc. Further, the disclosure requirements contained in the fourth schedule to the Act have been revised, resulting in the elimination of duplicative disclosures with the IFRS disclosure requirements; and incorporation of significant additional disclosures which have been included in these financial statements.

- b)** Standards, interpretations and amendments to published approved accounting standards that are effective but not relevant

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2017. However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

- c)** Standards, interpretations and amendments to published approved accounting standards that are not yet effective

The following are the new standards, amendments to existing approved accounting standards and new interpretations that will be effective for the periods beginning on or after 1 July 2018, that may have an impact on the financial statements of the Company:

- Classification and Measurement of Share-based Payment Transactions - amendments to IFRS 2 clarify the accounting for certain types of arrangements and are effective for annual periods beginning on or after 1 January 2018. The amendments cover three accounting areas (a) measurement of cash-settled share-based payments; (b) classification of share-based payments settled net of tax withholdings; and (c) accounting for a modification of a share-based payment from cash-settled to equity-settled. The new requirements could affect the classification and/or measurement of these arrangements and potentially the timing and amount of expense recognized for new and outstanding awards. The amendments are not likely to have an impact on Company's financial statements.
- Transfers of Investment Property (Amendments to IAS 40 'Investment Property' - effective for annual periods beginning on or after 1 January 2018) clarifies that an entity shall transfer a property to, or from, investment property when, and only when there change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. The amendments are not likely to have an impact on the Company's financial statements.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

- Annual Improvements to IFRSs 2014-2016 Cycle [Amendments to IAS 28 'Investments in Associates and Joint Ventures'] (effective for annual periods beginning on or after 1 January 2018) clarifies that a venture capital organization and other similar entities may elect to measure investments in associates and joint ventures at fair value through profit or loss, for each associate or joint venture separately at the time of initial recognition of investment. Furthermore, similar election is available to non-investment entity that has an interest in an associate or joint venture that is an investment entity, when applying the equity method, to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture. The amendments are not likely to have an impact on the Company's financial statements.
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration' (effective for annual periods beginning on or after 1 January 2018) clarifies which date should be used for translation when a foreign currency transaction involves payment or receipt in advance of the item it relates to. The related item is translated using the exchange rate on the date the advance foreign currency is received or paid and the prepayment or deferred income is recognized. The date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) would remain the date on which receipt of payment from advance consideration was recognized. If there are multiple payments or receipts in advance, the entity shall determine a date of the transaction for each payment or receipt of advance consideration. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on the Company's financial statements.
- IFRS 15 'Revenue from contracts with customers' (effective for annual periods beginning on or after 1 July 2018). IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognized. It replaces existing revenue recognition guidance, including IAS 18 'Revenue', IAS 11 'Construction Contracts' and IFRIC 13 'Customer Loyalty Programs'. The Company is currently in the process of analyzing the potential impact of changes required in revenue recognition policies on adoption of the standard.
- IFRS 9 'Financial Instruments' and amendment - Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 July 2018 and 1 January 2019 respectively). IFRS 9 replaces the existing guidance in IAS 39 Financial Instrument: Recognition and Measurement. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Based on the analysis of Company's financial assets and liabilities as at September 30, 2018 considering facts and circumstances that exists at that date, the Company has assessed that as mutual fund units do not qualify as equity instruments, hence the irrevocable election to present subsequent changes in the fair value through OCI is not available, therefore these need to be classified as fair value through profit and loss. Further as per IFRS 9, any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period that includes the date of initial application shall be recognised in the opening retained earnings of the annual reporting period that includes the date of initial application.

- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentive and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

make lease payments. There are recognition exemptions for short-term lease and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The Company is currently in the process of analyzing the potential impact of its lease arrangements that will result in recognition of right to use assets and liabilities on adoption of the standard.

- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on the Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on the Company's financial statements.
- Annual Improvements to IFRS Standards 2015–2017 Cycle - the improvements address amendments to following approved accounting standards:
- IFRS 3 Business Combinations and IFRS 11 Joint Arrangement - the amendment aims to clarify the accounting treatment when a company increases its interest in a joint operation that meets the definition of a business. A company remeasures its previously held interest in a joint operation when it obtains control of the business. A company does not remeasure its previously held interest in a joint operation when it obtains joint control of the business.
- IAS 12 Income Taxes - the amendment clarifies that all income tax consequences of dividends (including payments on financial instruments classified as equity) are recognized consistently with the transaction that generates the distributable profits.
- IAS 23 Borrowing Costs - the amendment clarifies that a company treats as part of general borrowings any borrowing originally made to develop an asset when the asset is ready for its intended use or sale.

4	FIXED ASSETS	Note	September 30, 2018 (Rupees)	June 30, 2018
	<b><i>Tangible</i></b>			
	Property and equipment	4.1	91,114,051	92,902,785
	Capital work in progress	4.4	9,897,338	1,900,586
			101,011,389	94,803,371
	<b><i>Intangible assets</i></b>			
	Computer software	4.2	29,242,277	31,800,262
	Goodwill	4.2	82,126,933	82,126,933
	Management rights	4.2	192,000,000	192,000,000
			303,369,210	305,927,195
			<b>404,380,599</b>	<b>400,730,566</b>

#### 4.1 Property and equipment

23

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

## 4.2 Intangible assets

	September 30, 2018			
	Computer software	Goodwill	Management rights	Total
<b>As at 1 July 2018</b>	(Rupees)			
Cost	68,429,778	82,126,933	192,000,000	342,556,711
Accumulated amortization	(36,629,516)	-	-	(36,629,516)
Net book value	31,800,262	82,126,933	192,000,000	305,927,195

### Period ended 30 September 2018

Opening net book value	31,800,262	82,126,933	192,000,000	305,927,195
Additions during the year	-	-	-	-
Amortization for the year	(2,557,985)	-	-	(2,557,985)
<b>Closing net book value</b>	<b>29,242,277</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>303,369,210</b>

### As at 30 September 2018

Cost	68,429,778	82,126,933	192,000,000	342,556,711
Accumulated amortization	(39,187,501)	-	-	(39,187,501)
Net book value	29,242,277	82,126,933	192,000,000	303,369,210

Amortization rates (% per annum) 25%

	June 30, 2018			
	Computer software	Goodwill	Management rights	Total
<b>As at 1 July 2017</b>	(Rupees)			
Cost	40,020,325	82,126,933	192,000,000	314,147,258
Accumulated amortization	(27,886,539)	-	-	(27,886,539)
Net book value	12,133,786	82,126,933	192,000,000	286,260,719

### Year ended 30 June 2018

Opening net book value	12,133,786	82,126,933	192,000,000	286,260,719
Additions during the year	28,409,453	-	-	28,409,453
Amortization for the year	(8,742,977)	-	-	(8,742,977)
<b>Closing net book value</b>	<b>31,800,262</b>	<b>82,126,933</b>	<b>192,000,000</b>	<b>305,927,195</b>

### As at 30 June 2018

Cost	68,429,778	82,126,933	192,000,000	342,556,711
Accumulated amortization	(36,629,516)	-	-	(36,629,516)
Net book value	31,800,262	82,126,933	192,000,000	305,927,195

Amortization rates (% per annum) 25%

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

## 4.3 Depreciation and amortisation is allocated as follows:

	(Unaudited) September 30, 2018	(Unaudited) September 30, 2017
	Depreciation	Amortisation
	Rupees	
Charged to profit and loss	4,248,017	4,193,623
Charged to Collective investment Schemes under management	105,878	298,446
	4,353,894	4,492,069
		1,533,410
		109,128
		1,642,538

## 4.4 It includes certain capital expenditure being incurred on newly rented premises and IT related developments.

## 5 LONG TERM INVESTMENTS

### In Collective Investment Schemes - related parties

	Note	Un-audited September 30 2018	Audited June 30 2018
At fair value through profit or loss	5.1	521,166,831	-
At fair value through other comprehensive income	5.2	-	520,628,175
		521,166,831	520,628,175

## 5.1 At fair value through profit or loss

Name of the Investee Fund	As at September 30, 2018				As at June 30, 2018				
	As at July 01, 2018	Purchases / transfer during the	As at September 30, 2018	Cost	Market value	Unrealised appreciation on re- measurement of	Cost	Market value	Unrealised appreciation on re- measurement of
Open end mutual funds	Units			(Rupees)					
Pakistan Pension Fund	-	805,305	805,305	255,569,563	256,893,348	1,323,785	-	-	-
Alhamra Islamic Pension Fund	-	876,129	876,129	265,058,612	264,273,483	(785,129)	-	-	-
				520,628,175	521,166,831	538,656	-	-	-

\* Previously designated at fair value through other comprehensive income

## At fair value through other comprehensive income

\* Redesignated at fair value through profit or loss

At fair value through profit or loss

### 6.1 At fair value through profit or loss

\* Previously designated at fair value through other comprehensive income

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

September 30, 2018	June 30, 2018
----- Rupees -----	----- Rupees -----
-	194,268,111

6.2 At fair value through other comprehensive income

## Units of Mutual Funds

Name of the Investee Fund	As at July 01, 2018	Purchases / transfer during the period	Redemptions during the period	As at September 30, 2018	As at September 30, 2018			As at June 30, 2018		
					Carrying value (after impaired)	Market value	Unrealised appreciation/ (diminution) on re-measurement of investments	Carrying value	Market value	Unrealised appreciation/ (diminution) on re-measurement of investments
					----- Rupees -----					
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\* MCB Pakistan Stock Market Fund

\* Redesignated at fair value through profit or loss

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

## 7 MANAGEMENT FEE / INVESTMENT ADVISORY FEE

	Note	QUARTER ENDED	
		SEPTEMBER 30	SEPTEMBER 30
		2018	2017
		-----Rupees-----	
From Collective Investment Schemes - related parties	7.1	195,370,464	188,276,934
From Discretionary Portfolio		6,955,949	2,573,767
		202,326,415	190,850,701
Less : Indirect taxes		(23,276,490)	(21,956,275)
		<b>179,049,923</b>	<b>168,894,426</b>

### 7.1 From Collective Investment Schemes - related parties

MCB Cash Management Optimizer	22,999,682	19,613,872
MCB Pakistan Asset Allocation Fund	18,312,718	19,237,600
MCB DCF Income Fund	18,013,616	26,506,207
Alhamra Islamic Income Fund	5,845,853	3,704,724
MCB Pakistan Sovereign Fund	1,365,164	2,254,966
Pakistan Capital Market Fund	3,520,576	3,649,022
Pakistan Cash Management Fund	840,929	2,132,822
Pakistan Income Enhancement Fund	3,361,104	5,185,771
Pakistan Income Fund	3,903,344	7,054,300
Alhamra Islamic Asset Allocation Fund	21,485,853	9,465,602
Alhamra Islamic Pension Fund	3,376,691	3,020,218
Pakistan Pension Fund	6,647,341	6,041,575
MCB Pakistan Stock Market Fund	63,786,380	61,205,530
Alhamra Islamic Stock Fund	19,670,421	16,718,245
MCB Pakistan Frequent Payout Fund	1,432,222	2,169,056
Alhamra Islamic Active Asset Allocation Fund Plan - I	214,064	252,347
Alhamra Islamic Active Asset Allocation Fund Plan - II	59,435	65,077
Alhamra Daily Dividend Fund	535,071	-
	<b>195,370,464</b>	<b>188,276,934</b>



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

## 8 ADMINISTRATIVE AND OPERATING EXPENSES

	QUARTER ENDED	
	SEPTEMBER 30 2018	SEPTEMBER 30 2017
	-----Rupees-----	
Salaries, allowances and other benefits	82,395,021	58,722,747
Legal and professional charges	1,876,249	1,963,054
Traveling and conveyance charges	1,378,242	2,089,095
Rent, utilities, repairs and maintenance	24,177,088	20,257,050
Office supplies	232,669	196,973
Auditors' remuneration	700,000	600,000
Directors' meeting fee	1,425,000	1,200,000
Insurance	472,068	387,044
Depreciation	4,248,017	4,193,623
Amortisation	2,495,095	1,533,410
Printing and stationery	842,201	814,148
Telephone expenses	1,703,581	1,612,116
Entertainment expenses	647,030	865,012
Books, periodicals, subscription and training	3,501,235	4,143,994
Registrar fee	77,298	132,909
	<b>126,170,794</b>	<b>98,711,174</b>

**8.1** The SECP vide S.R.O No. 1160 (1) / 2015 dated November 25, 2015 introduced amendments in the NBFC Regulations. As a result of these amendments, the management company may charge fees and expenses related to registrar services, accounting, operations and valuation services, related to Collective Investment Schemes (CISs) upto a maximum of 0.1% of average annual net assets of the scheme. Accordingly, effective from November 27, 2015, expenses amounting to Rs 11.837 million (2017: 9.89) have been charged by the Company to the respective CISs under its management.

**9** The SECP vide Circular 40/2016 dated December 30, 2016, prescribed certain conditions on Asset Management Companies (AMC) for charging of selling and marketing expenses to open end equity, asset allocation and index funds initially for three years (from January 01, 2017 till December 31, 2019) for opening of new branches in cities, except Karachi, Lahore, Islamabad and Rawalpindi. Minimum three branches required to be opened in June 30, 2018. Maximum Karachi, Lahore, Islamabad and Rawalpindi. Minimum four branches required to be opened in June 30, 2019. Maximum lower. The expenses amounting to Rs. 22.438 million (2017: 19.674) have been charged by the Company to aforesaid funds under its management.

## 10 CONTINGENCIES AND COMMITMENTS

**10.1** The Punjab Revenue Authority issued a show cause notice no. PRA/AM.70/14/18 dated June 20, 2014 requiring the Company to pay Sales Tax under the Punjab Sales Tax on Services Act, 2012 with effect from May 22, 2013 on management fee earned in Punjab. 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, by filing a petition on July 8, 2014 in the Sindh High Court (SHC) challenging the above notice. The SHC has ordered suspension of the show cause notice till the next hearing of appeal in its Order dated July 10, 2014. The management is expecting no outflow of economic resources as the payment relating to sales tax is already made to Sindh Revenue Board and in case the decision is made against the Company the same is required to be settled between the two authorities.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

- 10.2** On January 30, 2017, the Additional Commissioner Inland Revenue [ACIR] passed an order under section 122(5A) of the Income Tax Ordinance, 2001 amending the assessment for tax year 2011 after making certain additions / disallowances in the profit and loss account and created a demand of Rs. 25.567 million. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB Asset Management Company (MCB AMC) into the Company etc. The Company filed an appeal before the Commissioner Inland Revenue – Appeals [CIR-A] against the impugned order and notice of demand issued there against. The CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein. An appeal against the order of CIR-A has been filed before the Appellate Tribunal Inland Revenue [ATIR] by the Commissioner Inland Revenue. The company, in consultation with its tax advisor, is confident of a favourable outcome.
- 10.3** The case of the Company was selected for audit by the Commissioner Inland Revenue, Zone III, Large Taxpayers Unit, Karachi for tax year 2014 vide letter dated November 9, 2016. The audit proceedings were conducted by the Deputy Commissioner Inland Revenue [DCIR] and a Show-Cause Notice [SCN] dated February 10, 2017 was issued thereafter. Based on a recent judgment of a superior court, the SCN was challenged on legal grounds. However, the DCIR did not agree with the legal objections raised and passed an order dated March 24, 2017 under section 122(1) of the Income Tax Ordinance, 2001 after making certain additions / disallowances in the profit and loss account and created a demand of Rs. 93.398 million. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB AMC into the Company etc. An appeal before the CIR-A was filed by the Company which has been adjudged in favor of the Company in respect of major disallowances made in the Order of the DCIR. In respect of the matters confirmed by the CIR-A, the Company has filed an appeal before the ATIR. For issues deleted / set-aside by the CIR-A, an appeal has also been filed by the Commissioner Inland Revenue before the ATIR. The company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 10.4** On March 29, 2017, the ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 amending the assessment for tax year 2012 after making certain additions / disallowances in the profit and loss account and created a demand of Rs. 82.841 million. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB AMC into the Company, disallowance of brought forward losses / refunds of prior periods etc. The Company filed an appeal before the CIR-A against the impugned order and notice of demand issued there against. The CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein. An appeal against the order of the CIR-A has been filed before the ATIR by the Commissioner Inland Revenue. The company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 10.5** On April 29, 2017, a notice under section 122(9) of the Income Tax Ordinance, 2001 was issued by the ACIR to conduct the amendment of assessment proceedings for tax year 2011 of the pre-merger entity MCB AMC. On July 3, 2017 an order under section 122(5A) of the Income Tax Ordinance, 2001, was passed to conclude the said proceedings. A demand of Rs. 4.85 million has been raised by the ACIR by making disallowances mainly pertaining to apportionment of expenses, management / processing fee and related income sharing and disallowance of brought forward losses. The Company has filed an appeal before the CIR-A against the impugned order and notice of demand issued there against. During the year ended June 30, 2018, order of the CIR-A was received by the Company whereby the demand on major issues was deleted. In respect of the matters confirmed by the CIR-A, the Company has filed an appeal before the ATIR. For issues deleted / set-aside by the CIR-A, an appeal has also been filed by the Commissioner Inland Revenue before the ATIR. The company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 10.6** On February 29, 2016, the DCIR passed an order under section 122(1) of the Income Tax Ordinance, 2001 relating to the tax year 2010 of MCB AMC making certain additions / disallowances in the return. The Company filed an appeal before the CIR-A against the said order. The CIR-A vide order dated December 11, 2017 deleted the disallowances made by the DCIR. Subsequently, the ACIR relating to tax year 2010 of MCB AMC treated tax deduction under section 153(1)(b) on service

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

as minimum tax creating demand of Rs 0.980 million on May 4, 2016. The Company filed an appeal before CIR-A. The CIR-A vide order dated January 22, 2018 has confirmed the treatment of ACIR. The Company has filed an appeal before the ATIR against the order of CIR-A. The company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.

- 10.7** On November 24, 2017, the Company received two orders pertaining to tax years 2015 and 2016 passed by the ACIR and DCIR raising demands of Rs. 119.350 million and Rs. 142.008 million respectively. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB AMC into the Company, treatment of provision for FED as income of the Company etc. The Company filed separate appeals before the CIR-A against the impugned orders and notices of demand issued there against. During the year ended June 30, 2018, orders of CIR-A were received against the said appeals. For issues decided against the Company, appeals before the ATIR have been filed by the Company. The company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 10.8** On June 5, 2017, the Company received an order passed by the Assistant Commissioner - Sindh Revenue Board AC-(SRB) wherein a demand of Rs.16.95 million has been raised on (alleged) short levy / improper treatment of input tax in the sales tax returns for the tax periods from July 2011 to June 2015. An appeal against the aforesaid order has been filed before the concerned Commissioner Appeals - Sindh Revenue Board which is pending adjudication. The management is expecting a favourable outcome of the aforesaid appeal.
- 10.9** During the year ended June 30, 2015, the Company had obtained a short-term running finance facility under mark up arrangement with MCB Bank Limited (a related party) amounting to Rs. 500 million. The facility carries mark-up at one month KIBOR+0.5% (2017: KIBOR+0.5%) per annum. The facility is secured against pledge of government securities i.e. PIBs and T-Bills only and will be expired on May 31, 2019. However, the facility is unutilized as at September 30, 2018.
- 10.10** After the quarter end, the Sindh Revenue Board has issued two orders dated October 3 and 10, 2018 raising a demand of Rs. 7.9 million and 2.7 million respectively wherein input tax claimed by the Company on various transactions has been disallowed by the assessing Officer on the ground that the output tax against the same has not been offered by the respective vendors. Appeals against the aforesaid orders have been filed before the Commissioner Appeals - Sindh Revenue Board which is pending adjudication. The Company, in consultation with its tax advisor, is confident of a favorable outcome in respect of the said appeals.

### 11 TRANSACTIONS WITH RELATED PARTIES

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the year end. Therefore, all subsidiaries and associated undertakings of MCB are related parties of the Company. Other related parties comprise of Arif Habib Corporation Limited with a holding percentage of 30%, companies having common directorship, collective investment schemes and voluntary pension schemes managed by the Company, directors, key management personnel and their close family members and retirement benefit plan. The transactions with related parties are in the normal course of business and are carried out at contracted rates and terms. Details of such transaction are as follows:

#### 11.1 Transactions with related parties during the period

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	September 30, 2018	September 30, 2017
			(Rupees)	
MCB BANK LIMITED	Parent company with 51.33% Holding	Commission and other expenses	12,527,698	13,678,392
		Profit on bank deposits	423,593	159,237
		Bank charges	40,105	85,961
		Branch sharing expenses	1,127,697	1,025,178

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	September 30, 2018	September 30, 2017
(Rupees)				
MCB ISLAMIC BANK LIMITED	Subsidiary of Parent Company	Profit on bank deposits	3,333	4,255
		Bank charges	-	3,241
NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT) LIMITED	Group Company of Parent Company	Rent expense	862,759	810,470
NISHAT HOTELS AND PROPERTIES LIMITED	Group Company of Parent Company	Rent expense	660,000	-
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Group Company of Parent Company	Investment advisory fee	4,090,220	3,713,438
		Amount paid against life assurance	-	206,668
		Sale of software	-	-
ADAMJEE INSURANCE COMPANY LIMITED	Group Company of Parent Company	Amount paid against insurance	248,562	102,000
		Dividend paid	-	-
ARIF HABIB LIMITED	Subsidiary of Associated Company	Sharing of expenses	112,363	137,308
MCB CASH MANAGEMENT OPTIMIZER	Funds under management	Management fee	22,999,682	19,613,872
		Reimbursement of expenses	3,137,643	2,740,511
		Investment in units	173,942,988	150,000,000
		Redemption of units	231,000,000	123,500,000
MCB DCF INCOME FUND	Funds under management	Management fee	18,013,616	26,506,207
		Share of sales load	134,555	-
		Back end load	1,619	-
		Reimbursement of expenses	1,060,750	1,563,788
ALHAMRA ISLAMIC INCOME FUND	Funds under management	Management fee	5,845,853	3,704,724
		Share of sales load	24,975	-
		Reimbursement of expenses	699,007	571,844
		Sharia fee paid on behalf of the fund	225,000	225,000
MCB PAKISTAN ASSET ALLOCATION FUND	Funds under management	Management fee	18,312,718	19,237,600
		Share of sales load	41,922	-
		Reimbursement of expenses	810,296	851,221
		Selling and marketing	3,240,957	3,404,641
		Back-end load	666,699	1,989,393
MCB PAKISTAN FREQUENT PAYOUT FUND	Funds under management	Management fee	1,432,222	2,169,057
		Share of sales load	-	-
		Reimbursement of expenses	106,280	200,764
		Selling and marketing	-	803,054
ALHAMRA ISLAMIC STOCK FUND	Funds under management	Management fee	19,670,421	16,718,245
		Share of sales load	262,410	935,960
		Reimbursement of expenses	870,371	739,745
		Selling and marketing	3,481,490	2,958,982
		Sharia fee paid on behalf of the fund	225,000	225,000
MCB PAKISTAN SOVEREIGN FUND	Funds under management	Management fee	1,365,164	2,254,967
		Share of sales load	-	-
		Reimbursement of expenses	151,381	317,526

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	September 30, 2018	September 30, 2017
(Rupees)				
MCB PAKISTAN STOCK MARKET FUND	Funds under management	Management fee	63,786,380	61,205,529
		Share of sales load	350,660	-
		Reimbursement of expenses	2,822,406	2,708,209
		Selling and marketing	11,289,625	10,832,837
		Investments in units	44,000,000	-
		Redemption of units	44,000,000	90,000,000
PAKISTAN CAPITAL MARKET FUND	Funds under management	Management fee	3,520,576	3,649,022
		Share of sales load	4,577	-
		Reimbursement of expenses	155,778	161,461
		Selling and marketing	623,111	-
PAKISTAN CASH MANAGEMENT FUND	Funds under management	Management fee	840,929	2,132,822
		Reimbursement of expenses	96,231	307,490
PAKISTAN INCOME ENHANCEMENT FUND	Funds under management	Management fee	3,361,104	5,185,771
		Share of sales load	-	-
		Reimbursement of expenses	253,141	415,182
PAKISTAN INCOME FUND	Funds under management	Management fee	3,903,344	7,054,299
		Share of sales load	79,867	-
		Reimbursement of expenses	428,621	416,183
ALHAMRA ISLAMIC ASSET ALLOCATION FUND	Funds under management	Management fee	21,485,853	9,465,602
		Share of sales load	383,999	-
		Back end load	2,256,597	9,198
		Reimbursement of expenses	950,702	418,832
		Selling and marketing	3,802,806	1,675,328
		Shariah fee paid on behalf of the fund	225,000	225,000
ALHAMRA ISLAMIC PENSION FUND	Funds under management	Management fee	3,376,691	3,020,219
		Share of sales load	79,537	211,080
		Contribution to fund on behalf of the employees	3,673,730	2,755,937
PAKISTAN PENSION FUND	Funds under management	Management fee	6,647,341	6,041,575
		Share of sales load	44,216	212,052
		Contribution to fund on behalf of the employees	1,309,490	1,052,127
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I	Funds under management	Management fee	214,064	252,347
		Sales load	-	-
		Reimbursement of expenses	353,066	383,219
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-II	Funds under management	Management fee	59,435	65,077
		Payment made on behalf of fund - account opening	-	-
		Reimbursement of expenses	198,545	94,204
ALHAMRA DAILY DIVIDEND FUND	Funds under management	Management fee	535,071	-
		Bank charges	55,600	-
11.2 Amount outstanding at year end				
Name of the related party	Relationship and percentage of shareholding	Nature of transaction	September 30, 2018	June 30, 2018
(Rupees)				
MCB BANK LIMITED	Parent company with 51.33% Holding	Bank balance	20,079,651	14,713,692
		Other payable	14,379,790	14,379,790
		Commission payable	3,740,320	3,331,143
		Mark-up receivable	174,519	166,561

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	September 30, 2018 (Rupees)	June 30, 2018
MCB ISLAMIC BANK LIMITED	Subsidiary of Parent Company	Bank balance	1,065,025	1,056,985
		Mark-up receivable	1,090	1,041
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Group Company of Parent Company	Advisory fee receivable	9,071,168	9,023,008
		Receivable against sale of intangible	2,500,000	2,500,000
NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT.) LTD.	Group Company of Parent Company	Rent Deposit	784,326	784,326
ARIF HABIB LIMITED	Subsidiary of Associated Company	Sharing of expenses	112,363	506,193
MCB DCF INCOME FUND	Funds under management	Remuneration receivable	104,708,561	105,431,420
		Sales load receivable	28,302,229	28,324,680
		Receivable against reimbursement of expenses	333,658	375,822
MCB PAKISTAN ASSET ALLOCATION FUND	Funds under management	Remuneration receivable	24,796,888	24,871,165
		Sales load receivable	16,581,247	16,757,790
		Back-end load	2,047,105	1,293,734
		Receivable against reimbursement of expenses	255,272	258,560
		Receivable against selling & marketing expenses	3,240,957	3,184,835
MCB CASH MANAGEMENT OPTIMIZER	Funds under management	Remuneration receivable	61,141,966	63,337,767
		Closing balance of investment in units	366,917,310	424,303,397
		Receivable against reimbursement of expenses	1,011,989	1,182,824
ALHAMRA ISLAMIC INCOME FUND	Funds under management	Remuneration receivable	10,552,965	10,659,129
		Sales load receivable	3,045,242	3,114,407
		Receivable against reimbursement of expenses	220,558	464,421
		Receivable against shariah fee	150,000	75,000
MCB PAKISTAN STOCK MARKET FUND	Funds under management	Remuneration receivable	76,112,039	74,514,641
		Sales load receivable	4,264,209	4,489,367
		Other receivable	13,097	5,026
		Closing balance of investment in units	194,095,723	194,268,111
		Receivable against reimbursement of expenses	944,146	873,464
		Receivable against selling & marketing expenses	11,289,625	10,946,767
PAKISTAN INCOME FUND	Funds under management	Remuneration receivable	10,596,669	10,298,358
		Sales load receivable	351,511	445,802
		Other receivable	17,951	-
		Receivable against reimbursement of expenses	-	122,321
MCB PAKISTAN SOVEREIGN FUND	Funds under management	Remuneration receivable	29,478,970	29,452,072
		Sales load receivable	4,169,840	4,169,841
		Receivable against reimbursement of expenses	51,282	52,952
PAKISTAN CAPITAL MARKET FUND	Funds under management	Remuneration receivable	7,015,204	7,050,273
		Sales load receivable	394,087	396,220
		Receivable against reimbursement of expenses	50,596	52,147
		Receivable against selling & marketing expenses	623,111	138,284



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	September 30, 2018 (Rupees)	June 30, 2018
ALHAMRA ISLAMIC STOCK FUND	Funds under management	Remuneration receivable	12,014,574	12,221,892
		Sales load receivable	271,931	143,179
		Other receivable	2,883	-
		Receivable against reimbursement of expenses	279,886	289,060
		Receivable against selling & marketing expenses	3,481,490	3,620,042
		Receivable against Shariah Fee	225,000	75,000
PAKISTAN PENSION FUND	Funds under management	Remuneration receivable	8,130,585	8,140,003
		Sales load receivable	981,968	841,023
		Closing balance of investment in units	256,893,348	255,569,563
ALHAMRA ISLAMIC ASSET ALLOCATION FUND	Funds under management	Remuneration receivable	13,065,987	12,443,393
		Sales load receivable	3,708,555	4,163,891
		Back end load receivable	3,294,854	744,899
		Receivable against reimbursement of expenses	316,575	289,026
		Receivable against selling & marketing expenses	3,802,806	3,395,929
		Receivable against shariah fee	150,000	75,000
ALHAMRA ISLAMIC PENSION FUND	Funds under management	Remuneration receivable	4,147,386	4,099,420
		Sales load receivable	160,025	358,280
		Closing balance of investment in units	(785,129)	265,058,612
PAKISTAN SARMAYA MAHFOOZ FUND (Matured)	Funds under management	Remuneration receivable	1,960,082	1,960,082
		Sales load receivable	2,307,278	2,307,278
		Receivable against reimbursement of expenses	-	-
PAKISTAN CASH MANAGEMENT FUND	Funds under management	Remuneration receivable	12,175,415	12,174,814
		Receivable against reimbursement of expenses	28,229	68,521
		Other receivable	-	-
		Other payable	-	-
PAKISTAN INCOME ENHANCEMENT FUND	Funds under management	Remuneration receivable	17,555,098	17,911,242
		Sales load receivable	4,733,987	4,748,432
		Other receivable	3,530	3,529
		Receivable against reimbursement of expenses	72,077	115,348
MCB PAKISTAN FREQUENT PAYOUT FUND	Funds under management	Remuneration receivable	1,262,333	1,393,526
		Sales load receivable	3,624,619	3,624,619
		Receivable against reimbursement of expenses	31,305	39,913
		Receivable against selling & marketing expenses	-	-
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I	Funds under management	Remuneration receivable	1,068,509	74,282
		Formation Cost	-	-
		Other receivable	-	-
		Receivable against reimbursement of expenses	115,207	116,499
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-II	Funds under management	Remuneration receivable	15,520	38,774
		Sales load receivable	-	-
		Other receivable	-	-
		Receivable against reimbursement of expenses	64,501	67,036
ALHAMRA DAILY DIVIDEND FUND	Funds under management	Remuneration receivable	144,539	157,897
		Payable against bank charges	55,600	19,212
		Other receivable	40,000	40,000



## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2018

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### 12 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 22, 2018 by the Board of Directors of the Company.

### 13 CORRESPONDING FIGURES

Corresponding figures have been rearranged or reclassified wherever necessary for the purpose of comparison or better presentation. No significant reclassification was made in this condensed interim financial information during the current period.

### 14 GENERAL

Amounts have been rounded off to the nearest Rupee unless otherwise stated.



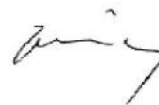
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Chief Executive Officer



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Chief Financial Officer



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
Director





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