



MCB-ARIF HABIB
Savings and Investments Limited

AM2
BY PACRA

HALF YEAR REPORT

DECEMBER
2017
(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 stakeholders' 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

| | | |
|--|---|--|
| Board of Directors | 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 |
| Audit Committee | Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg | Chairman Member Member Member |
| Human Resource & Remuneration Committee | Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem | Chairman Member Member Member Member |
| Chief Executive Officer | Mr. Muhammad Saqib Saleem | |
| Chief Operating Officer & Company Secretary | Mr. Muhammad Asif Mehdi Rizvi | |
| Chief Financial Officer | Mr. Abdul Basit | |
| Share Registrar | Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326031 Web: www.cdcpakistan.com | |
| Bankers | MCB Bank Limited Summit Bank Limited Bank Al-Habib Limited MCB Islamic Bank Limited Faysal Bank Limited Bank Alfalah Limited | |
| Auditors | KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Shaikh Sultan Trust, Building No. 2, Beaumont Road, Karachi - 75530 | |
| Legal Advisors | Akhund Forbes D-21, Block-4, Scheme-5 Clifton, Karachi | |
| | Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi | |
| Registered Office | MCB-Arif Habib Savings & Investments Limited 24th Floor, Centrepoin, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi-74900 | |
| Rating | Asset Manager: "AM2++"(PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA) | |

DIRECTORS' REPORT FOR THE HALF YEAR ENDED DECEMBER 31, 2017

The Board of Directors of **MCB-Arif Habib Savings and Investments Limited (MCBAH)** is pleased to present the half yearly report on the affairs of MCBAH for the period ended December 31, 2017.

The Company recorded a gross income of Rs. 359.164 million, which includes management/investment advisory fee and other operating income. After accounting for administrative, operating & financial expenses and income sharing of Rs. 259.79 million, the company earned a profit before tax of Rs. 99.38 million. The net profit after tax for the period amounts to Rs. 58.21 million, as compared to net profit of Rs. 86.61 million for the corresponding period ended December 31, 2016. With stability in funds under management and improved performance expectations, the company is expected to deliver better results going forward.

MARKET & ECONOMIC REVIEW

Economy and Money Market Review

The economic scorecard continued to remain mixed, with the real side still indicating strong growth momentum, while the external side conversely showing the vulnerabilities. Growth momentum of the economy continued during the period with LSM growing at strong pace of ~6% YoY, bolstered by growth in Steel, Auto and Food & Beverages sectors. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), the economy looks on track to approach 6% target GDP growth for the Financial Year 2018.

The fiscal deficit for the first half of the Financial Year was provisionally recorded at ~2.5% of GDP, despite high tax collection. Tax Authorities managed to collect PKR 1.3 trillion during the period, showing a growth of 20% compared to same period last year.

CPI for the first half averaged at a moderate level of 3.75% Year on Year (YoY), supported by lower oil prices, stable food prices and a higher base effect. However, rising oil prices and depreciating currency indicate upward pressure going forward and is already evident from a CPI of 4.57% recorded in the month of December. Noting the similar readings and anticipating further build-up of inflationary pressures, SBP announced a 25 basis points increase in discount rate in its Jan 18 meeting.

On the external side, trade deficit widened to alarming levels. The current account deficit (CAD) for the first 6 months clocked in at USD ~7.5 billion (up 59% YoY). Trade deficit for the first half financial year reached USD 14.3 billion up ~26% YoY. Import registered an increase of ~19% during the half year, propelled by petroleum imports and an expansionary fiscal and monetary policies. On the flip side, the impact of textile package introduced by the government in order to boost exports, started to gain some momentum as textile exports grew by ~8% during the first half of the financial year, though insufficient to bridge the gap created by rising imports. Resultantly, the foreign exchange reserves declined by USD ~1.2 billion, despite USD 2.5 billion floated in international bond markets. PKR also depreciated by ~5% against USD indicating a much need attempt from government to address widening external account.

Money markets took clue from the rising inflation expectations as against all tenors, 3-months Treasury Bills remained the most preferred play. Meanwhile, longer tenor PIBs remained out of favour with very low participation from financial institutions and banks in auctions.

DIRECTORS' REPORT FOR THE HALF YEAR ENDED DECEMBER 31, 2017

Equity Market Review

Pakistan Stock Exchange (PSX) continued its bearish momentum of its preceding quarter by posting another negative return of ~4.5% return in 2QFY18. This took the first half financial year and the Calendar year 2017 return to -13% and -15% respectively. Aggressive foreign selling was witnessed in the second half, foreigners remained net sellers of USD 155 million in first half of the Financial Year. This heavy selling was absorbed mostly by corporates, banks and insurance companies with net buying of USD 71.7 million, USD 54.2 million and USD 63.4 million, respectively.

A quarry of events kept the market in the red zone throughout first half of the current fiscal year. Be it the prime minister's disqualification, indictment of Finance Minister Ishaq Dar by the National Accountability Bureau (NAB), or protests and sit-ins by political parties all over the country. The market also felt jitters after MSCI's semi-annual review (15th Nov 2017) reduced Pakistan's weight in EM Index, and Engro Corporation was downgraded from MSCI EM Standard Index to MSCI Small Cap Index.

The adverse political scenario combined with economic headwinds in the shape of widening of Current Account Deficit (CAD) further deteriorated investor confidence. The most anticipated events of the first half occurred in the last month including Rupee Depreciation and the relief of appointment of Dr. Miftah Ismail as Adviser to the PM on Finance. Sector specific events also kept the investors at bay particularly penalty on HBL's New York branch and Government's ban on import of furnace oil. Even positive news flows such as issuance of USD 1Bn Sukuk in the international bond and FTSE reclassification of five additional stocks into small cap series could not garner investor interest.

In the first half of the fiscal year, the only positive contributors to the index (albeit negative for the economy), was E&Ps posting a gain of 19% in the wake of rising oil prices given positive outcome of OPEC meeting and regional oil supply disruptions. Fertilizer (-8% YoY) remained in the negative territory but still outperformed on the back of strong offtake numbers, declining inventories and stable international urea prices. Cement sector (-14% YoY) continued its lacklustre performance on concerns over future pricing discipline on upcoming capacity expansions of ~5 million tons in the next 6-7 months in the Southern region. Brief relief was witnessed in the sector stock prices due to the halt of construction work on a 7,300 tons per day capacity expansion by Maple Leaf Cement, following an order issued by the Environmental Protection Agency (EPA), Government of Punjab.

MARKET & ECONOMY - FUTURE OUTLOOK

Challenges continue to increase on both economic and political front and requires the continued and undeterred focus by the government to consolidate the improvements seen in last few years. Given the current pace of trade deficit and weak performance on remittances, we expect current account deficit to approach USD 17 billion for the FY18 which in our estimates indicate an additional financing need of near USD 5 billion.

Nevertheless, market valuations remain at a very attractive level as indicated by risk premiums (difference between earnings yield and 10-year interest rates) which are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 9.71x, at a steep discount of 40% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. While

DIRECTORS' REPORT FOR THE HALF YEAR ENDED DECEMBER 31, 2017

markets may react to overall happening events scheduled particularly in the second half of the Financial Year, we consider any weakness in the market as an opportunity to build long term exposures.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual fund industry stood at ~PKR 543 billion at the end of the 2QFY18. Size of Fund of Funds (Conventional), Money market funds (Conventional/Shariah-Compliant) and Income Funds (Shariah-Compliant) increased during the first half of the financial year.

In terms of the segment share, Equity and Equity related funds continued to be the leaders with a share of ~60%, followed by Income funds and Money Market funds having shares of 21% and 19% respectively.

MUTUAL FUND INDUSTRY OUTLOOK

Disconnect between macro environment and equity market performance would enhance attractiveness towards equity funds for an investor with medium term investment horizon. Money market funds are expected to remain stable however expectations of monetary tightening is likely to result in improved returns going forward. With lower interest rates, investors are keen to explore avenues to enhance returns and are increasingly becoming open to professional investment advisory services.

For and on behalf of the Board



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: February 02, 2018



Nasim Beg
Director/Vice Chairman

ڈائریکٹر رپورٹ

برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

شیر کے ساتھ دوسرے اور تیسرے نمبر پر تھے۔

میوہل فنڈ کی صنعت کی صورتحال

کلاں معاشیات کی صورتحال اور ایکویٹی مارکیٹ کی کارکردگی کے درمیان عدم رابطہ سے ایکویٹی فنڈز میں درمیانے اور طویل میعاد کے سرمایہ کاروں کی دلچسپی میں اضافہ ہوگا۔ مئی مارکیٹ فنڈز متوقع طور پر مستحکم رہیں گے، تاہم مالیاتی تنگی کی توقعات کے نتیجے میں مستقبل میں بہتر منافع کی امید کی جاسکتی ہے۔ انٹریسٹ کی پست شرحوں کی بدولت سرمایہ کار منافع میں اضافے کے مواقع آزمانے میں دلچسپی لے رہے ہیں اور سرمایہ کاری کی پیشہ ورانہ مشاورتی خدمات حاصل کرنے میں زیادہ شرح صدر کا مظاہرہ کر رہے ہیں۔

برائے اور من جانب بورڈ،



نسیم بیگ

ڈائریکٹر / وائس چیئرمین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

کراچی: 2 فروری 2018ء

ڈائریکٹر رپورٹ

برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

اول میں غیر ملکی افراد 155 ملین ڈالر کے net فروخت کارر ہے۔ اس بھاری فروخت کے خریدار زیادہ تر کارپوریٹ ادارے، بینک اور انشورنس کمپنیاں تھیں، جن کی خریداری کا حجم بالترتیب 71.7 ملین ڈالر، 54.2 ملین ڈالر اور 63.4 ملین ڈالر تھا۔

واقعات کی ایک کڑی نے موجودہ مالی سال کے نصف اول کے دوران بازار کو red زون میں رکھا، خواہ وزیراعظم کی نااہلی ہو، وزیر خزانہ اسحاق ڈار کی قومی اقتساب پیورو (NAB) کی جانب سے برطرفی، بینک بھریں سیاسی جماعتوں کے احتجاج اور دھرنے۔ علاوہ ازیں، جب MSCI کے نصف سالانہ جائزے (۱۵ نومبر ۲۰۱۷ء) میں EM انڈیکس میں پاکستان کی شمولیت میں کمی کی گئی تو مارکیٹ نے جھٹکے محسوس کیے، اور اینگرو کارپوریشن کو MSCI ای ایم اسٹینڈرڈ انڈیکس سے کم سطح پر لاکر MSCI small cap انڈیکس پر کر دیا گیا۔

کرنٹ اکاؤنٹ خسارے (CAD) کی صورت میں ظاہر ہونے والے معاشی جھکوں سمیت غیر موافق سیاسی صورتحال نے سرمایہ کاروں کے اعتماد کو مزید متاثر کیا۔ نصف اول کی متوقع ترین پیش رفت آخری مہینے میں ظاہر ہوئی، جس میں روپے کی قدر میں کمی اور ڈاکٹر مفتاح اسماعیل کی وزیراعظم کے مشیر برائے مالیات کے طور پر تقرری شامل ہیں۔ سیکٹر سے مخصوص پیش رفت سے بھی سرمایہ کاروں کا اعتماد متاثر ہوا، خاص طور پر اینجی بی ایل کی نیویارک کی شاخ پر جرمانہ اور فرنس آئل کی درآمد پر حکومتی پابندی۔ بین الاقوامی بانڈ میں 1 بلین ڈالر سٹچک کے ابراہام اور FTSE کی پانچ اضافی اسٹاکس کی small cap سیریز میں ترتیب جو بھی مثبت پیش رفت، سرمایہ کاروں کی دلچسپی حاصل نہ کر سکیں۔

مالی سال کے نصف اول میں انڈیکس میں مثبت (معیشت کے لئے منفی) کردار صرف E&Ps نے ادا کیا اور 19% منافع حاصل کیا، اگرچہ OPEC میٹنگ کے مثبت نتائج اور تیل کی علاقائی رسد میں خلل کے پس منظر میں تیل کی قیمتوں میں اضافہ ہو رہا تھا۔ کھاد (YoY -8%) منفی سطح پر برقرار رہی لیکن اس کے باوجود اس شعبے نے مستحکم offtake اعداد و شمار، انویٹریز میں کمی اور یورپ کی بین الاقوامی قیمتوں میں استحکام کی بنیاد پر سبیل سے بہتر کارکردگی کا مظاہرہ کیا۔ سینٹ کے شعبے (YoY -14%) نے اپنی غیر معیاری کارکردگی جاری رکھی، جس کی وجہ اگلے 6-7 مہینوں میں جنوبی خطے میں استعداد میں 5- ملین ٹن سینٹ تھی۔ علاوہ ازیں مہینے کے دوران سینٹ سیکٹر میں مختصر ریلیف کا مشاہدہ کیا گیا جس کی وجہ مینجولیف سینٹ کی جانب سے استعداد میں 7,300 ٹن یومیہ وسعت کے تعبیری کام پر بندش تھی۔

بازار اور معیشت - مستقبل کی صورتحال

معاشی اور سیاسی، دونوں رخ پر مشکلات میں اضافہ ہو رہا ہے۔ چنانچہ حکومت کی مسلسل اور غیر متزلزل توجہ درکار ہے تاکہ گزشتہ کچھ برسوں میں جو بہتری دیکھی گئی ان کو منظم کیا جاسکے۔ تجارتی خسارے کی موجودہ رفتار اور ترسیل زر کی کمزور کارکردگی کو دیکھتے ہوئے ہم سمجھتے ہیں کہ مالی سال 2018ء میں کرنٹ اکاؤنٹ کا خسارہ 17 بلین ڈالر تک پہنچ جائے گا جس سے ہمارے اندازے کے مطابق تقریباً 5 بلین اضافی مالیت کی فراہمی کی ضرورت کی طرف اشارہ ہو رہا ہے۔

تاہم بازار کی تھقیں بہت پرکشش سطح پر قائم ہیں، جیسا کہ ریسک پریمنی (آمدنی کے حجم اور دس سالہ انٹریٹ کی شرحوں کے درمیان فرق) سے اشارہ ہوتا ہے جو ایک تاریخی اونچی سطح ہے، اور اس سے اندازہ ہوتا ہے کہ بازار بہت سست رہے گا۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E پر ہوئی جو اس کے ابھرتے ہوئے مارکیٹ peer گروپ کے مقابلے میں 40% کی بھرپور رعایت ہے۔ مستحکم پیش رفت میں (i) روپے کی قدر میں کمی اور انٹریٹ کی اونچی شرحیں، اور (ii) CPEC اور ٹیکسٹائل کے شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں، جن کو سیاسی صورتحال کے قطع نظر درمیانی مدت سے سبقت لے جانا چاہئے۔ اگرچہ مجموعی سطح پر، اور خاص طور پر مالی سال کے نصف آخر میں ہونے والے واقعات پر مارکیٹ کا عمل ظاہر ہوگا، ہم سمجھتے ہیں کہ مارکیٹ کی کوئی بھی کمزوری طویل المیعاد تجربات کا موقع فراہم کرتی ہے۔

مقررہ آمدنی کی جہت میں توقع ہے کہ مارکیٹ خارجی اکاؤنٹ کی خطرناک صورتحال اور افراط زر کی سطح میں اضافے کی بنیاد پر محتاط رہے گی۔ معاشی رخ، خاص طور پر ادائیگیوں کے توازن کی واضح تصویر سے مقررہ آمدنی کی مارکیٹس میں مزید شرکت کی طرف راہنمائی ہوگی۔

میوچل فنڈ کی صنعت کا جائزہ

مالی سال 2018ء کی دوسری سہ ماہی کے اختتام پر اوپن end میوچل فنڈ کی صنعت کے net اثاثہ جات 543 بلین روپے تھے۔ فنڈ آف فنڈز (کنوینشنل)، مہمی مارکیٹ فنڈز (کنوینشنل / شرعی) اور انکم فنڈز (شرعی) میں مالی سال کے نصف اول کے دوران اضافہ ہوا۔

سیگمنٹ شیئر کے ضمن میں ایکویٹی اور ایکویٹی سے متعلقہ فنڈز 60% شیئر کے ساتھ بدستور صنف اول میں رہے، جبکہ انکم فنڈز اور مہمی مارکیٹ فنڈز بالترتیب 21% اور 19%

ڈائریکٹر رپورٹ

برائے ششماہی اختتام پذیر 31 دسمبر 2017ء

ایم سی بی عارف حبیب سیونگٹز اینڈ انویسٹمنٹس لمیٹڈ (MCBAH) کے بورڈ آف ڈائریکٹرز کی جانب سے 31 دسمبر 2017ء کو اختتام پذیر ہونے والی مدت کے لئے MCBAH کے معاملات کی ششماہی رپورٹ پیش خدمت ہے۔

کمپنی کی gross آمدنی 359.164 ملین روپے ہے، جس میں منجمنٹ/انویسٹمنٹ ایڈوائزری فیس اور دیگر آپریٹنگ آمدنی شامل ہے۔ ایڈمنسٹریٹو، آپریٹنگ اور فنانسل اخراجات اور آمدنی کی تقسیم 259.79 ملین روپے منہا کرنے کے بعد کمپنی کا منافع قبل از ٹیکس 99.38 ملین روپے بنتا ہے۔ Net منافع بعد از ٹیکس برائے مذکورہ مدت 58.21 ملین روپے ہے، جبکہ 31 دسمبر 2016ء کو ختم ہونے والی اسی مدت کے لئے 86.61 ملین روپے تھا۔ منجمنٹ کے تحت فنڈز میں استحکام اور بہتر کارکردگی کی توقعات کے پیش نظر کمپنی پر اُمید ہے کہ مستقبل میں بہتر نتائج حاصل ہوں گے۔

بازار اور معیشت کا جائزہ

معیشت اور بازار کا جائزہ

معاشی اعداد و شمار میں ملا ٹھکانا رجحان جاری رہا۔ حقیقی زرخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی زرخ کمزوریوں کو ظاہر کر رہا ہے۔ دوران مدت معیشت کی ترقی تیز تر ہوتی رہی۔ اسٹیل، گاڑیوں اور اشیائے خورد و نوش کے شعبے کی ترقی کے باعث LSM نے YoY 6% کی بھرپور رفتار سے ترقی کی علاوہ ازیں، زرعی شعبے کی ترقی کے باعث (جس کی عکاسی کپاس، چینی اور گندم کی فصل کے بھرپور اعداد و شمار میں ہوتی ہے) معیشت مالی سال 2018ء میں مجموعی ملکی پیداوار میں 6% ترقی کے ہدف کے حصول کی جانب گامزن نظر آ رہی ہے۔

پراوٹل اقتصادی خسارہ برائے پہلی ششماہی 2018ء قابل تحسین ٹیکس وصولی کے باوجود مجموعی ملکی پیداوار کا 2.5% تھا۔ ٹیکس ادارے دوران مدت 1.3 ٹریلین روپے جمع کر سکے، جو سال گزشتہ کی اسی مدت کے مقابلے میں 20% ترقی ہے۔

CPI کا اوسط برائے پہلی ششماہی YoY 3.75% کے درمیانے درجے پر تھا، جس کی پشت پناہی تیل کی پست قیمتوں، اشیائے خورد و نوش کی مستحکم قیمتوں اور اونچے base effect سے ہوئی۔ تاہم حال ہی میں اس میں اضافہ شروع ہو گیا تھا جیسا کہ دسمبر 2017ء کو 4.57% سے ظاہر ہے، جس کی وجوہات تیل کی بڑھتی ہوئی قیمتیں اور روپے کی گھٹتی ہوئی قدر ہیں۔ ملتے جلتے رجحان کے پیش نظر افراط زر کے دباؤ میں مزید حدت کی پیش بینی کرتے ہوئے اسٹیٹ بینک آف پاکستان نے اپنی جنوری 2018ء کے اجلاس میں ڈسکونٹ کے شرح میں 25 basis points اضافے کا اعلان کیا۔

خارجی زرخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے ابتدائی 6 ماہ 7.5% بلین ڈالر تھا (YoY 59% اضافہ)۔ پہلی ششماہی 2018ء میں تجارتی خسارہ 14.3 بلین ڈالر تک پہنچ گیا، جو YoY 26% اضافہ ہے۔ پہلی ششماہی 2018ء کے دوران درآمدات میں 19% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب ٹیکسٹائل سیکٹر کے اثرات نے کچھ رفتار پکڑی اور 2018ء کی پہلی ششماہی کے دوران ٹیکسٹائل کی درآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی درآمدات سے پیدا ہونے والی فلیج کو پر کرنے کے لئے ناکافی تھا۔ نصیجتا، غیر ملکی زرمبادلہ کے ذخائر میں 1.2 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر کی گردش ہوئی۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں روپے کی قدر میں 5% کمی ہوئی، جس سے وسعت پذیر خارجی اکاؤنٹ پر کل وقتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

افراط زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازار کے لئے اشارہ تھا۔ سہ ماہی بلز کو سب سے زیادہ ترجیح کیا گیا، جبکہ طویل المیعاد پاکستان انویسٹمنٹ بانڈز (PIBs) سب سے کم مقبول رہے کیونکہ ان کو مالیاتی اداروں اور auctions میں ٹیکوں سے بہت محدود پذیرائی حاصل ہوئی۔

ایکویٹی مارکیٹ کا جائزہ

پاکستان اسٹاک ایکسچینج (PSX) نے سابقہ سہ ماہی کی اپنی bearish رفتار جاری رکھی اور 2018ء کی دوسری سہ ماہی میں دوبارہ 4.5% نقصان دیا۔ اس کے نتیجے میں 2018ء کی پہلی ششماہی CY17 کا منافع بالترتیب 13%- اور 15%- ہو گیا۔ دوسری ششماہی میں بھرپور غیر ملکی فروخت کا مشاہدہ کیا گیا، اور مالی سال کے نصف



KPMG Taseer Hadi & Co.
Chartered Accountants
Sheikh Sultan Trust Building No. 2
Beaumont Road
Karachi, 75530 Pakistan

Telephone + 92 (21) 3568 5847
Fax + 92 (21) 3568 5095
Internet www.kpmg.com.pk

Independent Auditors' Report to the Members on Review of Condensed Interim Financial Information

Introduction

We have reviewed the accompanying condensed interim balance sheet of **MCB - Arif Habib Savings and Investments Limited** ("the Company") as at 31 December 2017 and the related condensed interim profit and loss account, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim statement of changes in equity and notes to the condensed interim financial information for the six months period then ended (herein after referred to as the "condensed interim financial information"). Management is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of condensed interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying condensed interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Other Matter

The figures of the condensed interim profit and loss account and condensed interim statement of comprehensive income for the three months ended 31 December 2017, have not been reviewed and we do not express a conclusion on them.

Date: 26 February 2018

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants
Mazhar Saleem

KPMG Taseer Hadi & Co., a Partnership firm registered in Pakistan
and a member firm of the KPMG network of independent member
firms affiliated with KPMG International Cooperative
("KPMG International"), a Swiss entity.

CONDENSED INTERIM BALANCE SHEET AS AT 31 DECEMBER 2017

| | | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|---|------|------------------------------------|------------------------------|
| | Note | ----- (Rupees) ----- | |
| ASSETS | | | |
| Non-current assets | | | |
| Fixed assets | 4 | 380,596,422 | 375,063,339 |
| Long-term investments | 5 | 500,230,872 | 547,193,018 |
| Long-term loans and prepayments | 6 | 28,973,310 | 26,918,837 |
| Long-term deposits | | 4,257,206 | 4,290,038 |
| | | 914,057,810 | 953,465,232 |
| Current assets | | | |
| Receivable from related parties | 7 | 534,462,588 | 484,368,200 |
| Loans and advances | | 20,999,491 | 7,480,791 |
| Deposits, prepayments and other receivables | 8 | 66,284,814 | 62,662,596 |
| Accrued mark-up | | 97,160 | 72,809 |
| Short-term investments | 9 | 503,589,878 | 669,301,170 |
| Taxation - net | 10 | 63,937,976 | 67,730,351 |
| Cash and bank balances | | 9,474,636 | 18,692,497 |
| | | 1,198,846,543 | 1,310,308,414 |
| Total assets | | 2,112,904,353 | 2,263,773,646 |
| EQUITY AND LIABILITIES | | | |
| Share capital and reserves | | | |
| Authorised share capital | | | |
| 72,000,000 (June 30, 2017: 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 | | 732,250,697 | 859,537,437 |
| Total equity | | 1,452,250,697 | 1,579,537,437 |
| LIABILITIES | | | |
| Non-current liabilities | | | |
| Deferred taxation - net | | 54,213,765 | 49,012,986 |
| Current liabilities | | | |
| Trade and other payables | 11 | 606,439,891 | 635,223,223 |
| Total liabilities | | 660,653,656 | 684,236,209 |
| Total equity and liabilities | | 2,112,904,353 | 2,263,773,646 |
| CONTINGENCIES AND COMMITMENTS | | | |
| | 17 | | |

CONTINGENCIES AND COMMITMENTS

17

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Chief Executive Officer

Chief Financial Officer

Director

**CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | | Half year ended 31 December | | Quarter ended 31 December | |
|--|------|--------------------------------|---------------|------------------------------|---------------|
| | Note | 2017 | 2016 | 2017 | 2016 |
| | | (Rupees) | | (Rupees) | |
| Revenue | | | | | |
| Management fee / investment advisory fee | 12 | 340,028,309 | 316,639,160 | 171,133,883 | 161,915,006 |
| Processing and other related income | | 5,334,835 | 3,053,807 | 3,336,244 | 1,879,717 |
| Profit on bank deposits | | 548,134 | 663,965 | 303,271 | 287,391 |
| Income from government securities | | - | 5,598,241 | - | 2,224,291 |
| Capital (loss) / gain on sale of investments - net | | (12,274,531) | 23,916,755 | 3,522,935 | 18,900,133 |
| Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | 9.1 | 6,564,945 | 3,986,804 | 2,194,726 | (2,065,270) |
| | | 340,201,692 | 353,858,732 | 180,491,059 | 183,141,268 |
| Expenses | | | | | |
| Administrative expenses | 13 | (209,031,306) | (150,724,303) | (111,478,475) | (81,157,537) |
| Selling and distribution expenses | 14 | (51,047,024) | (93,319,291) | (26,790,728) | (42,058,230) |
| Financial charges | | (356,316) | (360,218) | (264,197) | (332,250) |
| Worker Welfare Fund | | (2,120,000) | (2,480,000) | (929,000) | (1,545,000) |
| | | (262,554,646) | (246,883,812) | (139,462,400) | (125,093,017) |
| | | 77,647,046 | 106,974,920 | 41,028,659 | 58,048,251 |
| Other income | 15 | 21,731,377 | 14,609,520 | 50 | 14,509,687 |
| Profit for the period before taxation | | 99,378,423 | 121,584,440 | 41,028,709 | 72,557,938 |
| Taxation | | | | | |
| - Current period | | (31,020,042) | (31,069,514) | (15,346,246) | (17,300,000) |
| - Prior period | | (3,308,336) | (1,087,309) | (3,308,336) | (1,087,309) |
| - Deferred | | (6,837,580) | (2,818,193) | (4,988,286) | (978,361) |
| | | (41,165,958) | (34,975,016) | (23,642,868) | (19,365,670) |
| Profit for the period after taxation | | 58,212,465 | 86,609,424 | 17,385,841 | 53,192,268 |
| Earnings per share - basic and diluted | | 0.81 | 1.20 | 0.24 | 0.74 |

The annexed notes 1 to 23 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 HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | Half year ended 31 December | | Quarter ended 31 December | |
|--|--------------------------------|--------------------|------------------------------|--------------------|
| | 2017 | 2016 | 2017 | 2016 |
| | (Rupees) | | (Rupees) | |
| Profit for the period after taxation | 58,212,465 | 86,609,424 | 17,385,841 | 53,192,268 |
| Other comprehensive income for the period | | | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | | | |
| Net unrealised appreciation on re-measurement of available for sale investments - net of deferred tax | (59,499,205) | 113,722,069 | (10,492,796) | 77,077,841 |
| Total comprehensive income for the period | (1,286,740) | 200,331,493 | 6,893,045 | 130,270,109 |

The annexed notes 1 to 23 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 HALF YEAR ENDED 31 DECEMBER 2017**

| | Half year ended | |
|---|----------------------|----------------------|
| | 31 December 2017 | 31 December 2016 |
| | (Rupees) | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit for the period before taxation | 99,378,423 | 121,584,439 |
| Adjustments for non-cash and other items: | | |
| Depreciation | 8,312,049 | 5,279,216 |
| Amortisation | 3,120,126 | 2,589,189 |
| Financial charges | 356,316 | 360,218 |
| Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net | (6,564,945) | (3,986,804) |
| Capital loss / (gain) on sale of investments - net | 12,274,531 | (23,916,755) |
| Gain on disposal of fixed assets | (6,222) | (112,579) |
| | <u>17,491,855</u> | <u>(19,787,515)</u> |
| Operating cash flows before working capital changes | 116,870,278 | 101,796,924 |
| Movement in working capital | | |
| (Increase) / decrease in current assets | | |
| Loans and advances | (13,518,700) | (11,033,357) |
| Deposits, prepayments and other receivables | (3,622,218) | 501,272 |
| Accrued mark-up | (24,351) | 5,166,762 |
| Receivable from related parties | (50,094,388) | (2,511,500) |
| | <u>(67,259,657)</u> | <u>(7,876,823)</u> |
| Increase / (decrease) in current liabilities | | |
| Trade and other payables | (28,783,332) | (17,761,456) |
| Net cash generated from operations | 20,827,289 | 76,158,645 |
| Taxes paid | (32,172,804) | (40,080,516) |
| Financial charges paid | (356,316) | (360,218) |
| Dividend paid | (125,975,628) | (125,842,674) |
| | <u>(158,504,748)</u> | <u>(166,283,408)</u> |
| Net cash used in operating activities | (137,677,459) | (90,124,763) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Fixed capital expenditure | (17,376,314) | (28,189,039) |
| Sale proceeds from disposal | 43,960 | 194,472 |
| Long-term loans and receivables | 2,054,468 | (583,031) |
| Long-term deposits | 32,832 | 225,000 |
| Proceeds against redemption of investments | 143,704,652 | 96,213,331 |
| Net cash generated from investing activities | 128,459,598 | 67,860,733 |
| Net decrease in cash and cash equivalents | (9,217,861) | (22,264,030) |
| Cash and cash equivalents at the beginning of the period | 18,692,497 | 41,867,164 |
| Cash and cash equivalents at the end of the period | 9,474,636 | 19,603,134 |

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UNAUDITED)
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

| | Reserves | | | | | Total |
|---|---|-------------|------------------|---------------------------------------|--|---------------|
| | Issued, subscribed and paid-up capital | Capital | Share premium | Deficit arising on amalgamation | Revenue Unrealised appreciation on re- measurement of available for sale' financial assets | |
| | | | | | | |
| Balance as at 1 July 2016 | 720,000,000 | 396,000,000 | (60,000,000) | 235,421,017 | 257,807,770 | 1,549,228,787 |
| Profit after taxation for the half year ended 31 December 2016 | - | - | - | 86,609,423 | - | 86,609,423 |
| Other comprehensive income for the half year ended 31 December 2016 | - | - | - | - | 113,722,069 | 113,722,069 |
| Final dividend for the year ended 30 June 2016 at Rs 1.75 per share | - | - | - | (126,000,000) | - | (126,000,000) |
| | - | - | - | (39,390,577) | 113,722,069 | 74,331,492 |
| Balance as at 31 December 2016 | 720,000,000 | 396,000,000 | (60,000,000) | 196,030,440 | 371,529,839 | 1,623,560,279 |
| Profit after taxation for the half year ended 30 June 2017 | - | - | - | 115,584,894 | - | 115,584,894 |
| Other comprehensive income for the half year ended 30 June 2017 | - | - | - | - | (51,607,736) | (51,607,736) |
| Interim dividend for the year ended 30 June 2017 at Rs 1.50 per share | - | - | - | (108,000,000) | - | (108,000,000) |
| | - | - | - | 7,584,894 | (51,607,736) | (44,022,842) |
| Balance as at 30 June 2017 | 720,000,000 | 396,000,000 | (60,000,000) | 203,615,334 | 319,922,103 | 1,579,537,437 |
| Profit after taxation for the half year ended 31 December 2017 | - | - | - | 58,212,465 | - | 58,212,465 |
| Other comprehensive income for the half year ended 31 December 2017 | - | - | - | - | (59,499,205) | (59,499,205) |
| Final dividend for the year ended 30 June 2017 at Rs 1.75 per share | - | - | - | (126,000,000) | - | (126,000,000) |
| | - | - | - | (67,787,535) | (59,499,205) | (127,286,740) |
| Balance as at 31 December 2017 | 720,000,000 | 396,000,000 | (60,000,000) | 135,827,799 | 260,422,898 | 1,452,250,697 |

The annexed notes 1 to 23 form an integral part of this condensed interim financial information.



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

1 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 30 August 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 Ltd. (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 19 January 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 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 21 May 2011. The Scheme was also approved by the Securities and Exchange Commission of Pakistan (SECP) with the effective date of amalgamation being 27 June 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 30 June 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 23 May 2013.
- 1.2** The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005, 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, Centrepoint, Off Shaheed-e- Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan. Previously, the registered office of the Company was situated at 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, 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 28 December 2017. Currently, the Company is managing the following funds under management:

| | Net assets value as at | |
|--|------------------------|-----------------|
| | 31 December 2017 | 30 June 2017 |
| | (Rupees in million) | |
| Open-end Collective Investment Scheme (CISs) | | |
| Pakistan Income Fund | 1,440 | 1,722 |
| MCB Pakistan Stock Market Fund | 9,982 | 11,629 |
| MCB Pakistan Sovereign Fund | 964 | 1,351 |
| Pakistan Capital Market Fund | 602 | 675 |
| Pakistan Cash Management Fund | 562 | 628 |
| Pakistan Income Enhancement Fund | 2,167 | 1,688 |
| MCB Pakistan Asset Allocation Fund | 2,999 | 3,439 |
| MCB DCF Income Fund | 5,316 | 6,189 |
| MCB Cash Management Optimizer | 11,053 | 10,094 |
| MCB Pakistan Frequent Payout Fund | 681 | 900 |
| Alhamra Islamic Asset Allocation Fund | 2,406 | 1,485 |
| Alhamra Islamic Stock Fund | 3,102 | 2,915 |
| Alhamra Islamic Income Fund | 2,898 | 1,981 |
| Alhamra Islamic Active Asset Allocation Fund Plan - I | 1,414 | 1,584 |
| Alhamra Islamic Active Asset Allocation Fund Plan - II | 841 | 88 |



Chief Executive Officer



Chief Financial Officer



Director

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | Note | Net assets value as at | |
|---|------|--|---------------------|
| | | 31 December 2017 (Rupees in million) | 30 June 2017 |
| Pension Funds | | | |
| Pakistan Pension Fund | | 1,393 | 1,451 |
| Al-Hamra Islamic Pension Fund (Formerly Pakistan Islamic Pension Fund) | 1.5 | 682 | 729 |
| Discretionary portfolio | | 28,554 | 25,061 |
| The Company is also managing investments under discretionary portfolio management agreements, the details of which are given below: | | | |
| | | (Number) | |
| Number of clients | | 75 | 70 |
| | | (Rupees in million) | |
| Total portfolio at cost | | 28,152 | 24,924 |
| Total portfolio at market value | | 26,410 | 24,878 |
| | | 31 December 2017 | 31 December 2016 |
| Fee earned | | 11.7 | 17 |

1.5 During the year, the name of the following fund was changed, the new and former name is as under:- Alhamra Islamic Pension fund (Formerly Pakistan Islamic Pension Fund)

1.6 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 the approved accounting standards as applicable in Pakistan. The 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 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 shall prevail. The Companies Ordinance, 1984 has been repealed after the enactment of the Companies Act, 2017. However, as allowed by SECP vide its circular dated 4 October 2017, clarified by Institute of Chartered Accountants of Pakistan (ICAP) vide its circular dated 6 October 2017, these condensed interim financial statements have been prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

- b) 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 audited financial statements of the Company for the year ended 30 June 2017.
- c) This condensed interim financial information is unaudited. However, a review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.
- d) IFRS 10, 'Consolidated Financial Statements' became effective for annual periods beginning on or after 1 January 2015. The standard requires an asset manager to assess whether there is a need to consolidate the funds under its management in its consolidated financial statements. The Standard builds on existing principles by identifying the concept of control as the determining factor for consolidation of funds in the financial statements and provides additional guidance to assist in the determination of control where this is difficult to assess. However, the SECP vide SRO 56 (I) / 2016 dated January 28, 2016 has directed that the requirements of consolidation under section 237 of the Companies Ordinance, 1984 and IFRS 10 are not applicable in case of investments made by companies in mutual funds established under trust schemes. Accordingly, the Company has not prepared consolidated financial statements in respect of mutual funds managed by it.

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 values.

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 30 June 2017.
- 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 judgments that affect the application of policies and reported amounts of assets and liabilities and income and expenses. Estimates, assumptions and judgments 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, judgments 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 30 June 2017.
- 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 30 June 2017.
- 3.4 **Standards, interpretations and amendments to published approved accounting standards that are effective in the current period**
 - 3.4.1 There were certain amendments to approved accounting standards that have been published and are mandatory for the Company's accounting period beginning on or after 1 July 2017. None of those amendments have a significant effect on this condensed interim financial information.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

3.5 Standards, amendments or an interpretation not yet effective

The following standards, amendments and interpretations of approved accounting standards will be effective for accounting periods beginning on or after 01 January 2018:

- 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.
- 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 is a 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.
- 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.
- 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.
- 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.
- 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 Programmes'. 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 Instruments: 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. The Company is currently in the process of analyzing the potential impact of changes required in classification and measurement of financial instruments and the impact of expected loss model on adoption of the standard.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

- 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 above amendments are not likely to have an impact on Company's condensed interim financial information.

- 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.

The above amendments are effective from annual period beginning on or after 1 January 2019 and are not likely to have an impact on Company's condensed interim financial information.

| 4 | FIXED ASSETS | <i>Note</i> | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|----------|---------------------------------|-------------|---|---------------------------------------|
| | | | ----- (Rupees) ----- | |
| | <i>Tangible</i> | | | |
| | Property and equipment | 4.1 | 93,108,300 | 87,070,895 |
| | Capital work in progress | | 1,276,270 | 1,731,725 |
| | | | 94,384,570 | 88,802,620 |
| | <i>Intangible assets</i> | | | |
| | Computer software | 4.2 | 12,084,919 | 12,133,786 |
| | Goodwill | 4.2 | 82,126,933 | 82,126,933 |
| | Management rights | 4.2 | 192,000,000 | 192,000,000 |
| | | | 286,211,852 | 286,260,719 |
| | | | 380,596,422 | 375,063,339 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

4.1 Property and equipment

Following is a statement of property and equipment:

| 31 December 2017 (Unaudited) | | | | | | |
|---|-------------------|-------------------|------------------------|------------------------|-------------|-------------------|
| | Computers | Office equipment | Furniture and fixtures | Leasehold improvements | Vehicles | Total |
| <hr/> (Rupees) <hr/> | | | | | | |
| As at 1 July 2017 | | | | | | |
| Cost | 28,094,752 | 22,523,576 | 15,025,031 | 57,748,037 | 7,662,267 | 131,053,663 |
| Accumulated depreciation | (18,535,777) | (9,633,950) | (2,716,360) | (5,434,414) | (7,662,267) | (43,982,768) |
| Net book value | 9,558,975 | 12,889,626 | 12,308,671 | 52,313,623 | - | 87,070,895 |
| <hr/> | | | | | | |
| Half year ended 31 December 2017 | | | | | | |
| Opening net book value | 9,558,975 | 12,889,626 | 12,308,671 | 52,313,623 | - | 87,070,895 |
| Additions during the period | 3,620,625 | 2,784,354 | 1,779,190 | 6,482,711 | - | 14,666,880 |
| Disposals during the period | | | | | | |
| Cost | - | (57,836) | - | - | - | (57,836) |
| Accumulated depreciation | - | 20,014 | - | - | - | 20,014 |
| | - | (37,822) | - | - | - | (37,822) |
| Depreciation for the period | (2,798,926) | (1,982,805) | (729,488) | (3,080,434) | - | (8,591,653) |
| Closing net book value | 10,380,674 | 13,653,353 | 13,358,373 | 55,715,900 | - | 93,108,300 |
| <hr/> | | | | | | |
| As at 31 December 2017 | | | | | | |
| Cost | 31,715,377 | 25,250,094 | 16,804,221 | 64,230,748 | 7,662,267 | 145,662,707 |
| Accumulated depreciation | (21,334,703) | (11,596,741) | (3,445,848) | (8,514,848) | (7,662,267) | (52,554,407) |
| Net book value | 10,380,674 | 13,653,353 | 13,358,373 | 55,715,900 | - | 93,108,300 |
| <hr/> | | | | | | |
| Depreciation rates (% per annum) | 25% | 20% - 50% | 10% | 10% - 20% | 25% | |
| <hr/> | | | | | | |
| 30 June 2017 (Audited) | | | | | | |
| | Computers | Office equipment | Furniture and fixtures | Leasehold improvements | Vehicles | Total |
| <hr/> (Rupees) <hr/> | | | | | | |
| As at 1 July 2016 | | | | | | |
| Cost | 31,702,035 | 12,704,062 | 9,776,101 | 30,259,863 | 7,662,267 | 92,104,328 |
| Accumulated depreciation | (25,188,074) | (7,454,615) | (1,743,281) | (1,058,431) | (7,662,267) | (43,106,668) |
| Net book value | 6,513,961 | 5,249,447 | 8,032,820 | 29,201,432 | - | 48,997,660 |
| <hr/> | | | | | | |
| Year ended 30 June 2017 | | | | | | |
| Opening net book value | 6,513,961 | 5,249,447 | 8,032,820 | 29,201,432 | - | 48,997,660 |
| Additions during the period | 6,693,098 | 11,433,860 | 5,362,759 | 27,488,174 | - | 50,977,891 |
| Disposals during the period | | | | | | |
| Cost | (9,786,325) | (1,477,051) | (113,829) | - | - | (11,377,205) |
| Accumulated depreciation | 9,702,862 | 1,350,384 | 113,822 | - | - | 11,167,068 |
| | (83,463) | (126,667) | (7) | - | - | (210,137) |
| Write offs during the year | | | | | | |
| Cost | (514,056) | (137,295) | - | - | - | (651,351) |
| Accumulated depreciation | 514,055 | 137,294 | - | - | - | 651,349 |
| | (1) | (1) | - | - | - | (2) |
| Depreciation for the period | (3,564,620) | (3,667,013) | (1,086,901) | (4,375,983) | - | (12,694,517) |
| Closing net book value | 9,558,975 | 12,889,626 | 12,308,671 | 52,313,623 | - | 87,070,895 |
| <hr/> | | | | | | |
| As at 30 June 2017 | | | | | | |
| Cost | 28,094,752 | 22,523,576 | 15,025,031 | 57,748,037 | 7,662,267 | 131,053,663 |
| Accumulated depreciation | (18,535,777) | (9,633,950) | (2,716,360) | (5,434,414) | (7,662,267) | (43,982,768) |
| Net book value | 9,558,975 | 12,889,626 | 12,308,671 | 52,313,623 | - | 87,070,895 |
| <hr/> | | | | | | |
| Depreciation rates (% per annum) | 25% | 20% - 50% | 10% | 10% - 20% | 25% | |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

4.1.1 Included in the cost of property and equipment are fully depreciated items which are still in use aggregating to Rs. 22.768 million (30 June 2017: Rs. 14.142 million).

4.2 Intangible assets

Following is a statement of intangible assets:

| | 31 December 2017 (Unaudited) | | | |
|---|------------------------------|------------|-------------------|--------------|
| | Computer software | Goodwill | Management rights | Total |
| | (Rupees) | | | |
| As at 1 July 2017 | | | | |
| Cost | 40,020,325 | 82,126,933 | 192,000,000 | 314,147,258 |
| Accumulated amortisation | (27,886,539) | - | - | (27,886,539) |
| Net book value | 12,133,786 | 82,126,933 | 192,000,000 | 286,260,719 |
| Half year ended 31 December 2017 | | | | |
| Opening net book value | 12,133,786 | 82,126,933 | 192,000,000 | 286,260,719 |
| Additions during the period | 3,165,000 | - | - | 3,165,000 |
| Amortisation for the period | (3,213,867) | - | - | (3,213,867) |
| Closing net book value | 12,084,919 | 82,126,933 | 192,000,000 | 286,211,852 |
| As at 31 December 2017 | | | | |
| Cost | 43,185,325 | 82,126,933 | 192,000,000 | 317,312,258 |
| Accumulated amortisation | (31,100,406) | - | - | (31,100,406) |
| Net book value | 12,084,919 | 82,126,933 | 192,000,000 | 286,211,852 |
| Amortisation rates (% per annum) | 25% | | | |
| | 30 June 2017 (Audited) | | | |
| | Computer software | Goodwill | Management rights | Total |
| | (Rupees) | | | |
| As at 1 July 2016 | | | | |
| Cost | 32,027,019 | 82,126,933 | 192,000,000 | 306,153,952 |
| Accumulated amortisation | (23,291,245) | - | - | (23,291,245) |
| Net book value | 8,735,774 | 82,126,933 | 192,000,000 | 282,862,707 |
| Year ended 30 June 2017 | | | | |
| Opening net book value | 8,735,774 | 82,126,933 | 192,000,000 | 282,862,707 |
| Additions during the year | 7,993,306 | - | - | 7,993,306 |
| Amortisation for the year | (4,595,294) | - | - | (4,595,294) |
| Closing net book value | 12,133,786 | 82,126,933 | 192,000,000 | 286,260,719 |
| As at 30 June 2017 | | | | |
| Cost | 40,020,325 | 82,126,933 | 192,000,000 | 314,147,258 |
| Accumulated amortisation | (27,886,539) | - | - | (27,886,539) |
| Net book value | 12,133,786 | 82,126,933 | 192,000,000 | 286,260,719 |
| Amortisation rates (% per annum) | 25% | | | |

MCB Arif Habib Savings and Investments Limited 23

| | | Note | (Unaudited) 31 December 2017 Depreciation Amortisation (Rupees) | (Unaudited) 31 December 2016 Depreciation Amortisation (Rupees) |
|---|------|------|--|--|
| Charged to profit and loss | 13 | | 8,312,049 3,120,126 | 4,971,221 2,134,101 |
| Charged to Collective Investment Schemes under management | 13.1 | | 279,604 93,741 <u>8,591,653 3,213,867</u> | 307,986 455,088 <u>5,279,207 2,589,189</u> |

Investments in units of pension schemes - related parties
Available-for-sale investments

5.1 500,230,872 547,193,018

| Name of the Investee fund | As at 1 July 2017 | Purchases / bonus / right | Redemption / Sales | As at 31 December 2017 | As at 31 December 2017 (Unaudited) | | | As at 30 June 2017 (Audited) | | |
|------------------------------|-------------------|---------------------------|--------------------|------------------------|------------------------------------|--------------|-------------------------|------------------------------|--------------|-------------------------|
| | | | | | Cost | Market value | Unrealised appreciation | Cost | Market value | Unrealised appreciation |
| Pakistan Pension Fund | 805,305 | - | - | 805,305 | 102,112,651 | 244,982,913 | 142,850,262 | 102,112,651 | 263,737,823 | 161,625,172 |
| Alhamra Islamic Pension Fund | 876,129 | - | - | 876,129 | 108,787,629 | 255,267,959 | 146,480,330 | 108,787,629 | 283,455,195 | 174,667,566 |
| | | | | | 210,900,280 | 500,230,872 | 289,330,592 | 210,900,280 | 547,193,018 | 336,292,738 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | Note | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|--|--|------------------------------------|------------------------------|
| | | ----- (Rupees) ----- | |
| 6 LONG-TERM LOANS AND PREPAYMENTS | | | |
| Considered good | | | |
| Loans: | | | |
| - to executives | 6.1 | 4,602,947 | 4,172,381 |
| - to other employees | | 11,111 | 12,311 |
| Less: Current portion of loans | | (1,127,560) | (1,022,135) |
| | | <u>3,486,498</u> | <u>3,162,557</u> |
| Prepayment: | | | |
| Prepaid commission against bachat units | | 56,531,456 | 43,042,963 |
| Less: Current portion | 8 | (31,044,644) | (19,286,683) |
| | | <u>25,486,812</u> | <u>23,756,280</u> |
| | | <u><u>28,973,310</u></u> | <u><u>26,918,837</u></u> |
| 6.1 | This represent interest-free loans given to executives as per the terms of employment for the purchase of motor vehicles. These are recovered through monthly deductions from salaries over the term of the loans and are secured against pension fund balances maintained with the Company. Based on month end balances, the maximum aggregate balance of loans to executives outstanding at any time during the period was Rs 4.6 million (2017: Rs 4.17 million). | | |
| 7 RECEIVABLE FROM RELATED PARTIES | | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
| | | ----- (Rupees) ----- | |
| Unsecured - considered good | | | |
| Pakistan Income Fund | | 12,278,337 | 11,922,840 |
| MCB Pakistan Stock Market Fund | | 101,812,310 | 96,611,863 |
| MCB Pakistan Sovereign Fund | | 34,287,037 | 34,591,868 |
| Pakistan Capital Market Fund | | 7,706,871 | 7,814,098 |
| Pakistan Pension Fund | | 8,628,147 | 8,931,470 |
| Alhamra Islamic Pension Fund | | 4,125,153 | 4,667,981 |
| Pakistan Cash Management Fund | | 12,626,527 | 13,088,687 |
| Pakistan Income Enhancement Fund | | 24,321,799 | 23,380,827 |
| Pakistan Sarmaya Mehfooz Fund (Matured) | | 4,676,410 | 4,677,401 |
| MCB Pakistan Asset allocation Fund | | 51,451,855 | 44,131,385 |
| MCB Cash Management Optimizer | | 66,569,964 | 59,879,615 |
| MCB DCF Income Fund | | 135,905,409 | 135,263,570 |
| MCB Pakistan Frequent Payout Fund | | 5,764,045 | 6,416,963 |
| Alhamra Islamic Stock Fund | | 19,023,238 | 14,464,430 |
| Alhamra Islamic Asset Allocation Fund | | 17,881,342 | 12,495,214 |
| Alhamra Islamic Income Fund | | 14,760,062 | 12,765,302 |
| Alhamra Daily Dividend Fund (Proposed fund) | | 1,561,821 | - |
| MCB Financial Planning Fund (Proposed fund) | | 1,000,000 | - |
| Al Hamra Islamic Active Allocation Fund - Plan I | | 681,587 | 5,755,523 |
| Al Hamra Islamic Active Allocation Fund - Plan II | | 347,106 | 73,801 |
| | | <u>525,409,020</u> | <u>496,932,838</u> |
| Less: Provision against reimburseable expenses | | - | (21,737,559) |
| | | <u>525,409,020</u> | <u>475,195,279</u> |
| Advisory fee on account of discretionary portfolio management | | | |
| Adamjee Life Assurance Company Limited | | 8,911,656 | 8,731,065 |
| Other Receivables | | | |
| Arif Habib Limited | | 141,912 | 441,856 |
| | | <u><u>534,462,588</u></u> | <u><u>484,368,200</u></u> |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

- 7.1 The above amounts represent receivable on account of management fee, federal excise duty, sales tax on management fee, sales load, conversion cost and other expenses paid on behalf of the related parties. This includes Federal Excise Duty amounting to Rs 399.62 million (30 June 2017: Rs 399.62 million) which has been accrued by the Company and is receivable from the funds under its management. The matter is further explained in note 11.2 to the condensed interim financial information.

| | Note | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|--|------|------------------------------------|------------------------------|
| | | ----- (Rupees) ----- | |
| 8 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES | | | |
| Deposits | | 304,698 | 304,698 |
| Prepayments | | | |
| Registration fee | | 818,511 | 1,659,480 |
| Insurance | | 1,611,083 | 3,946,739 |
| Current portion of prepaid commission against bachat units | 6 | 31,044,644 | 19,286,683 |
| Others | | 3,579,582 | 2,818,896 |
| | | 37,053,820 | 27,711,798 |
| Other receivables | | | |
| Advisory fee receivable on account of discretionary portfolio management | | 28,487,899 | 34,209,517 |
| Others | | 438,397 | 436,583 |
| | | 28,926,296 | 34,646,100 |
| | | 66,284,814 | 62,662,596 |
| 9 SHORT-TERM INVESTMENTS | | | |
| | Note | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
| | | ----- (Rupees) ----- | |
| Investment in units of mutual funds - related parties | | | |
| - At fair value through profit or loss | 9.1 | 339,171,072 | 384,081,782 |
| - Available-for-sale investments | 9.2 | 164,418,806 | 285,219,388 |
| | | 503,589,878 | 669,301,170 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

9.1 At fair value through profit or loss

| Name of the Investee Fund | As at 1 July 2017 | Purchases during the period | Redemptions / Sale | As at 31 December 2017 | (Rupees) | | | |
|--------------------------------|-------------------|-----------------------------|--------------------|------------------------|------------------------------------|------------------------------|----------------|-------------------------|
| | | | | | As at 31 December 2017 (Unaudited) | As at 30 June 2017 (Audited) | | Unrealised appreciation |
| | | | | | Carrying value | Market value | Carrying value | Unrealised appreciation |
| MCB Cash Management Optimizer | 3,821,037 | 2,456,807 | 3,482,384 | 2,795,460 | 282,934,047 | 288,419,693 | 383,488,757 | 593,025 |
| MCB Pakistan Stock Market Fund | - | 557,576 | - | 557,576 | 49,672,080 | 50,751,379 | - | - |
| | | | | | 332,606,127 | 339,171,072 | 383,488,757 | 593,025 |

9.2 Available-for-sale investments

| Name of the Investee Fund | As at 1 July 2017 | Purchases during the period | Redemptions / Sale | As at 31 December 2017 | (Rupees) | | | |
|--------------------------------|-------------------|-----------------------------|--------------------|------------------------|------------------------------------|------------------------------|----------------|-------------------------|
| | | | | | As at 31 December 2017 (Unaudited) | As at 30 June 2017 (Audited) | | Unrealised appreciation |
| | | | | | Carrying value | Market value | Carrying value | Unrealised appreciation |
| MCB Pakistan Stock Market Fund | 2,782,582 | - | 976,209 | 1,806,373 | 197,301,871 | 164,418,806 | 303,928,693 | (18,709,305) |
| | | | | | 197,301,871 | 164,418,806 | 303,928,693 | (18,709,305) |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

10 TAXATION - NET

Income tax refundable includes assessed refunds for the tax years 2008, 2009, 2010 and 2011. The income tax returns upto the tax year 2017 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

| | Note | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|--|------|------------------------------------|------------------------------|
| 11 TRADE AND OTHER PAYABLES | | ----- (Rupees) ----- | |
| Accrued expenses | | 60,283,239 | 95,288,194 |
| Workers Welfare Fund | 11.1 | 23,607,250 | 21,487,250 |
| Withholding tax payable | | 4,203,539 | 1,049,723 |
| Indirect taxes and duties payable | 11.2 | 409,754,681 | 415,647,852 |
| Payable to facilitators / distributors | | 104,291,154 | 97,474,548 |
| Unclaimed dividend | | 4,300,028 | 4,275,656 |
| | | 606,439,891 | 635,223,223 |

11.1 Worker's welfare fund

Through Finance Act 2008, the Federal Government introduced amendments to the Workers' Welfare Fund (WWF) Ordinance, 1971 whereby the definition of industrial establishment was extended. The amendments were challenged at various levels and conflicting judgments were rendered by the Lahore High Court, Sindh High Court and Peshawar High Court. Appeals against these orders were filed in the Supreme Court.

The Supreme Court of Pakistan vide its order dated 10 November 2016 has held that the amendments made in the law introduced by the Federal Government for the levy of Workers Welfare Fund 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 amounts under the Workers Welfare Fund Ordinance, 1971, accordingly an amount of Rs. 14.442 million has been reversed in the year ended 30 June 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 01 July 2014. The Company believes that contribution to Workers Welfare Fund under the Sindh Workers' Welfare Act, 2014 is not applicable on the Company as it is not a Financial Institution as required under SWWF Act, 2014.

However, out of abundant caution, the management has decided to provide for SWWF amounting to Rs. 23.6 million with effect from 1 July 2014. Moreover, the management has decided not to reverse WWF amounting to Rs. 5.10 million which have been already paid to Tax Authority until the said amount is refunded back.

11.2 Federal excise duty payable on remuneration of the management company

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 has been 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 Honorable 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 SHC order in the Honorable Supreme Court of Pakistan and thus previous balance of FED amounting to Rs. 399.62 million has not been reversed.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| 12 | MANAGEMENT FEE / INVESTMENT ADVISORY FEE | Note | Half year ended | | Quarter ended | |
|----|--|------|---------------------|---------------------|---------------------|---------------------|
| | | | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| | | | (Unaudited) | | (Unaudited) | |
| | | | (Rupees) | | (Rupees) | |
| | From Collective Investment Schemes - related parties | | | | | |
| | MCB Cash Management Optimizer | | 41,174,379 | 22,685,982 | 21,560,507 | 13,662,196 |
| | MCB Pakistan Asset Allocation Fund | | 36,655,008 | 27,307,050 | 17,417,408 | 12,745,502 |
| | MCB DCF Income Fund | | 52,029,900 | 59,545,402 | 25,523,693 | 31,125,894 |
| | Alhamra Islamic Income Fund | | 8,570,044 | 3,780,457 | 4,865,320 | 2,139,457 |
| | MCB Pakistan Sovereign Fund | | 4,174,861 | 29,159,177 | 1,919,895 | 10,644,807 |
| | Pakistan Capital Market Fund | | 7,081,620 | 7,194,973 | 3,432,598 | 3,644,123 |
| | Pakistan Cash Management Fund | | 3,282,022 | 4,960,703 | 1,149,199 | 2,488,640 |
| | Pakistan Income Enhancement Fund | | 11,539,831 | 21,300,048 | 6,354,060 | 10,135,605 |
| | Pakistan Income Fund | | 13,589,751 | 9,263,885 | 6,535,451 | 4,726,535 |
| | Alhamra Islamic Asset Allocation Fund | | 21,950,209 | 10,757,004 | 12,484,607 | 5,527,789 |
| | MCB Pakistan Stock Market Fund | | 115,940,051 | 104,279,056 | 54,732,295 | 55,474,431 |
| | Alhamra Islamic Stock Fund | | 33,888,685 | 14,888,962 | 17,172,667 | 8,029,811 |
| | Pakistan Sarmaya Mahfooz Fund (Matured) | | - | 3,532,121 | - | 1,632,105 |
| | MCB Pakistan Frequent Payout Fund | | 4,082,328 | 6,510,187 | 1,913,272 | 3,863,769 |
| | Alhamra Islamic Active Allocation Fund Plan I | | 476,984 | 45,890 | 224,637 | 45,890 |
| | Alhamra Islamic Active Allocation Fund Plan II | | 213,880 | - | 148,803 | - |
| | | | 354,649,553 | 325,210,897 | 175,434,412 | 165,886,554 |
| | Pension schemes - related parties | | | | | |
| | Pakistan Pension Fund | | 11,937,360 | 10,400,010 | 5,895,785 | 5,431,264 |
| | Alhamra Islamic Pension Fund | | 5,908,670 | 4,763,656 | 2,888,452 | 2,477,339 |
| | | | 17,846,030 | 15,163,666 | 8,784,237 | 7,908,603 |
| | | 12.1 | 372,495,583 | 340,374,563 | 184,218,649 | 173,795,157 |
| | Investment advisory fee from discretionary portfolio management | 12.2 | 11,736,406 | 17,427,688 | 9,162,639 | 9,168,800 |
| | | | 384,231,989 | 357,802,251 | 193,381,288 | 182,963,957 |
| | Less: Sindh sales tax | | (44,203,680) | (41,163,091) | (22,247,405) | (21,048,951) |
| | | | 340,028,309 | 316,639,160 | 171,133,883 | 161,915,006 |

12.1 Management fee from open-end Collective Investment Schemes is calculated by charging the specified rates to the net asset value / income of such schemes as at the close of business of each calendar day. In accordance with Regulation 61 of the NBFC Regulations, 2008, the fee so charged does not exceed 2% of the average annual net assets in case of Equity, Balanced, Asset Allocation Schemes and Capital Protected (dynamic asset allocation-direct exposure), 1.5% of average annual net assets in case of Income, Aggregate income, Index, Fund of Funds and Commodity Schemes (cash settled) and 1% of average annual net assets in case of Money Market, Commodity Schemes (deliverables) and Capital protected schemes, that has been verified by the trustee. In accordance with Rule 11 of the Voluntary Pension System Rules, 2005 the management fee from the pension funds is charged at the rate of 1.5% of the average of values of the net assets of the pension fund calculated during the period for determining the prices of the units of the sub-funds.

12.2 The Company is managing investments under discretionary portfolio management agreement. Investment advisory fee from the discretionary portfolios is calculated on a daily / monthly basis by charging specified rates to the net asset value of the portfolios as stated in the respective agreements with the clients. The details of this portfolio are given in note 1.4 of these condensed interim financial information.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| 13 ADMINISTRATIVE EXPENSES | Note | Half year ended | | Quarter ended | |
|--|------|---------------------|---------------------|---------------------|---------------------|
| | | 31 December 2017 | 31 December 2016 | 31 December 2017 | 31 December 2016 |
| | | (Unaudited) | | (Unaudited) | |
| | | (Rupees) | | (Rupees) | |
| Salaries, allowances and other benefits | | 124,300,140 | 94,152,793 | 63,577,393 | 51,715,621 |
| Legal and professional charges | | 9,267,941 | 6,632,896 | 5,304,887 | 3,543,692 |
| Travelling and conveyance charges | | 1,963,798 | 1,269,180 | 1,033,046 | 277,720 |
| Rent, utilities, repairs and maintenance | | 41,088,491 | 27,471,646 | 20,831,441 | 14,420,912 |
| Office supplies | | 546,443 | 360,442 | 349,470 | 245,210 |
| Auditors' remuneration | | 1,217,450 | 1,300,000 | 617,450 | 600,000 |
| Directors' meeting fee | | 2,150,000 | 1,700,000 | 950,000 | 600,000 |
| Insurance | | 492,876 | 686,544 | 105,832 | 314,554 |
| Depreciation | 4.3 | 8,312,049 | 4,971,221 | 4,118,426 | 2,587,742 |
| Amortisation | 4.3 | 3,120,126 | 2,134,101 | 1,586,716 | 1,428,433 |
| Stamp duty and taxes | | 388,050 | 18,450 | 388,050 | 18,450 |
| Registrar fee | | 220,862 | 330,082 | 87,953 | 247,668 |
| Printing and stationery | | 1,600,165 | 1,351,213 | 786,017 | 544,352 |
| Telephone expenses | | 3,637,898 | 2,496,018 | 2,025,783 | 1,210,097 |
| Entertainment expenses | | 2,344,685 | 1,038,033 | 1,479,673 | 694,089 |
| Books, periodicals and subscription | | 5,611,110 | 4,794,634 | 5,467,116 | 2,702,697 |
| Miscellaneous expenses | | 2,769,222 | 17,050 | 2,769,222 | 6,300 |
| | | <u>209,031,306</u> | <u>150,724,303</u> | <u>111,478,475</u> | <u>81,157,537</u> |

13.1 The SECP vide S.R.O No. 1160 (1) / 2015 dated 25 November 2015 introduced amendments in the NBFC Regulations. As a result of these amendments, the management company may charge fees and expenses pertaining 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, expenses amounting to Rs 23.89 million have been charged by the Company to the respective CISs under its management.

14 SELLING AND DISTRIBUTION EXPENSES

The SECP vide Circular 40/2016 dated 30 December 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 01 January 2017 till 31 December 2019) for opening of new branches in cities, except Karachi, Lahore, Islamabad and Rawalpindi. Minimum three branches required to be opened by 30 June 2018. Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses whichever is lower. The expenses amounting to Rs. 37.9 million have been charged by the Company to aforesaid funds under its management.

15 OTHER INCOME

This amount represents reversal of provision of selling and marketing expenses which were provided last year as payments were held by CDC due to an objection raised by them. Subsequently, CDC released payments on 8 December 2017, as a result the amount provided is reversed.

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | | | | |
|----|---|------|------------------------------------|------------------------------|
| 16 | NET UNREALISED APPRECIATION ON RE-MEASUREMENT OF INVESTMENTS CLASSIFIED AS 'AVAILABLE-FOR-SALE' | Note | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
| | | | ----- (Rupees) ----- | |
| | Long-term Investments: | | | |
| | Market value of investments | | 500,230,872 | 547,193,018 |
| | Less: cost of investments | | (210,900,280) | (210,900,280) |
| | | 5.1 | 289,330,592 | 336,292,738 |
| | Less: net unrealised appreciation in fair value of investments at the beginning of the period | | 336,292,738 | (245,122,471) |
| | | | (46,962,146) | 91,170,267 |
| | Short-term Investments: | | | |
| | Market value of investments | | 164,418,806 | 285,219,388 |
| | Less: cost of investments | | (197,301,871) | (303,928,693) |
| | | 9.2 | (32,883,065) | (18,709,305) |
| | Less: net unrealised appreciation in fair value of investments at the beginning of the period | | 18,709,305 | (14,152,136) |
| | Add: amount realised on redemption | | 6,563,770 | 11,118,149 |
| | | | (7,609,990) | (21,743,292) |
| | | | (54,572,136) | 69,426,975 |

17 CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

17.1.1 The Punjab Revenue Authority issued a show cause notice no. PRA/AM.70/14/18 dated 20 June 2014 to MCB- Arif Habib Savings and Investment Limited requiring the Company to pay Sales Tax under the Punjab Sales Tax on Services Act, 2012 with effect from 22 May 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, through a petition on 8 July 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 10 July 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.

17.1.2 On 30 January 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, amortisation of management rights / goodwill created on merger of the MCB Asset Management Company 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 thereagainst. During the period ended 31 December 2017, the CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein.

17.1.3 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 9 November 2016. The audit proceedings were conducted by the Deputy Commissioner Inland Revenue [DCIR] and a Show-Cause Notice [SCN] dated 10 February 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 24 March 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, amortisation of management rights / goodwill created on merger of the MCB Asset Management Company into the Company etc. An appeal before the Commissioner Inland Revenue - Appeals [CIR-A] was filed by the Company which has been adjudged in favor of the Company in respect of major

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

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 Appellate Tribunal Inland Revenue [ATIR]. For issues deleted / set-aside by the CIR-A, an appeal has also been filed by the Commissioner Inland Revenue before the ATIR.

- 17.1.4** On 29 March 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 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, amortisation of management rights / goodwill created on merger of the MCB Asset Management Company into the Company, disallowance of brought forward losses / refunds of prior periods etc. The Company filed an appeal before the Commissioner Inland Revenue Appeals [CIR-A] against the impugned order and notice of demand issued thereagainst. During the period ended 31 December 2017, the CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein.
- 17.1.5** On 29 April 2017, a notice under section 122(9) of the Income Tax Ordinance, 2001 was issued by the Additional Commissioner Inland Revenue [ACIR] to conduct the amendment of assessment proceedings for tax year 2011 of the pre-merger entity MCB Asset Management Company Limited [MCB AMC]. On 3 July 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 Commissioner Inland Revenue - Appeals [CIR-A] against the impugned order and notice of demand issued thereagainst.
- 17.1.6** The Additional Commissioner Inland Revenue (ACIR) issued a notice to the Company under section 122(5A) of the Income Tax Ordinance, 2001 vide letter No.Addl.CIR/AR-A/Z-III/LTU/2014-15 dated 14 November 2014 relating to Tax year 2013. The ACIR was of the view that the deemed assessment order for the tax year 2013 was erroneous and was prejudicial to the interest of revenue necessitating amendment of assessment. The ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 dated 28 August 2015 after making certain additions/disallowances in the profit and loss account and created a demand of Rs. 39.38 million. These additions/disallowances mainly pertained to apportionment of expenses, management fee/processing fee and related income sharing, workers welfare fund, etc. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the above order and has also filed a constitution petition for a stay of demand. An amount of Rs.13.50 million has been paid under the protest to the taxation authorities. During the period ended 31 December 2017, the CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein.
- 17.1.7** On 29 February 2016, the Deputy Commissioner Inland Revenue (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 filed by the Company. The assessing officer adjusted the impact of disallowances and reduced the amount refundable in respect of that tax year to Rs. 1.947 million. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] against the said order. Subsequently, the Company again received an order alongwith a notice of demand amounting to Rs 0.980 million on 4 May 2016 from the Additional Commissioner Inland Revenue (ACIR) relating to tax year 2010 of MCB AMC against which it filed an appeal before the CIR(A) which is pending adjudication. The appeal filed against the earlier order has been decided by the CIR-A and the demand raised therein has been deleted.
- 17.1.8** On 24 November 2017, the Company received two orders pertaining to tax years 2015 and 2016 passed by the Additional Commissioner Inland Revenue and Deputy Commissioner Inland Revenue 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, amortisation of management rights / goodwill created on merger of the MCB Asset Management Company into the Company treatment of provision for FED as income of the Company etc. The Company has filed an appeal before the Commissioner Inland Revenue - Appeals [CIR-A] against the impugned orders and notices of demand issued thereagainst. No provision has been made in this condensed interim financial information against the above disallowances made by the assessing officers vide above orders as the management and the tax advisors of the Company are confident that good grounds exist to contest the additions / disallowances before the appellate forums. Further, the Company has also obtained restraining orders from the Sindh High Court to prohibit the tax authorities from taking any coercive action against the said orders and notices of demand.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

17.1.9 On 5 June 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. No provision has been made in this condensed interim financial information against the above disallowances made by the assessing officers vide above orders as the management and the tax advisors of the Company are confident that good grounds exist to contest the additions / disallowances before the appellate forums. Further, the Company has also obtained a restraining order from the Sindh High Court to prohibit the tax authorities from taking any coercive action against the said orders and notice of demand.

17.2 During the last year, Labour Inspector filed a complaint before Sindh Labour Court No. 5, alleging contravention of Section 24(1) of the Sindh Shops and Commercial Establishment Act, 2015. The aforesaid complaint was disposed off on 17 July 2017 by the Labour Court imposing a penalty of Rs. 2,000 to the Company. The Company is considering to appeal against the order of the Labour Court. No provision has been made in these financial statements against the above penalty imposed by the Labour Court vide above order as the management of the Company is confident that the matter will be decided in its favor at the appellate forum.

18 TRANSACTIONS WITH RELATED PARTIES

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the period 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:

| | Half year ended | |
|---|---------------------|---------------------|
| | 31 December 2017 | 31 December 2016 |
| 18.1 Transactions with related parties during the period | (Rupees) | |
| MCB BANK LIMITED | | |
| Profit on bank deposits | 413,783 | 419,422 |
| Dividend paid | 64,674,344 | 64,674,344 |
| Branch sharing expenses | 2,084,529 | 1,895,026 |
| Reimbursement of expenses | 11,310,750 | 5,500,000 |
| Commission on distribution of units | 28,109,772 | 24,830,314 |
| Financial charges | 348,816 | 236,731 |
| MCB ISLAMIC BANK LIMITED | | |
| Profit on bank deposits | 43,195 | - |
| ADAMJEE LIFE ASSURANCE COMPANY LIMITED | | |
| Investment advisory fee | 6,773,225 | 12,647,520 |
| ADAMJEE INSURANCE COMPANY LIMITED | | |
| Amount paid against insurance | 1,271,863 | 867,169 |
| Dividend paid | 8,954,750 | - |
| NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT.) LTD. | | |
| Rent deposit | - | - |
| Rent expense | 1,646,994 | - |
| NISHAT HOTEL & PROPERTIES LIMITED | | |
| Rent expense | 1,200,000 | 1,045,768 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | Half year ended | |
|---|----------------------|---------------------|
| | 31 December 2017 | 31 December 2016 |
| | ----- (Rupees) ----- | |
| MCB FINANCIAL SERVICES LIMITED | | |
| Reimbursement of expenses | - | 8,720 |
| Trustee fee | - | 1,200,000 |
| ARIF HABIB LIMITED | | |
| Sharing of expenses | 348,260 | - |
| MCB DCF INCOME FUND | | |
| Management fee | 52,029,900 | 52,695,046 |
| Share of sales load | - | 84,008 |
| Back end load | 15,045 | - |
| Reimbursement of expenses | 3,069,611 | 3,513,003 |
| MCB PAKISTAN ASSET ALLOCATION FUND | | |
| Management fee | 36,655,008 | 24,165,531 |
| Share of sales load | - | 137,222 |
| Back end load | 4,222,459 | - |
| Redemption of units | - | 85,500,519 |
| Selling and marketing | 6,487,223 | - |
| Reimbursement of expenses | 1,621,903 | 1,208,275 |
| MCB CASH MANAGEMENT OPTIMIZER | | |
| Management fee | 41,174,378 | 20,076,090 |
| Investment in units | 250,000,000 | 750,743,078 |
| Redemption of units | 350,500,000 | 485,590,525 |
| Reimbursement of expenses | 5,731,908 | 3,209,530 |
| AL-HAMRA ISLAMIC INCOME FUND | | |
| Management fee | 8,570,044 | 3,345,537 |
| Share of sales load | - | 41,072 |
| Shariah fee paid on behalf of the fund | 450,000 | 450,000 |
| Reimbursement of expenses | 1,286,220 | 512,809 |
| MCB PAKISTAN STOCK MARKET FUND | | |
| Management fee | 115,937,826 | 92,282,350 |
| Share of sales load | - | 1,404,019 |
| Investment in units | 49,672,080 | 133,010,661 |
| Redemption of units | 90,000,000 | 75,000,000 |
| Amount received against conversion in | - | 544,939 |
| Reimbursement of expenses | 5,129,992 | 4,614,118 |
| Selling and marketing | 20,519,969 | - |
| PAKISTAN INCOME FUND | | |
| Management fee | 13,589,752 | 8,198,128 |
| Share of sales load | - | 87,201 |
| Reimbursement of expenses | 801,755 | 546,542 |
| MCB PAKISTAN SOVEREIGN FUND | | |
| Management fee | 4,174,860 | 25,804,581 |
| Share of sales load | - | 58,746 |
| Investment in units | - | 124,986,422 |
| Redemption of units | - | 404,311,831 |
| Reimbursement of expenses | 590,609 | 3,658,286 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | Half year ended | |
|--|---------------------|---------------------|
| | 31 December 2017 | 31 December 2016 |
| | (Rupees) | |
| PAKISTAN CAPITAL MARKET FUND | | |
| Management fee | 7,081,620 | 6,367,233 |
| Share of sales load | - | 85,805 |
| Reimbursement of expenses | 313,346 | 318,362 |
| AL-HAMRA ISLAMIC STOCK FUND | | |
| Management fee | 33,888,684 | 13,176,073 |
| Share of sales load | 935,960 | 262,529 |
| Amount received against conversion cost | - | 562,733 |
| Reimbursement of expenses | 1,499,499 | 658,832 |
| Selling and marketing | 5,997,780 | - |
| Shariah fee paid on behalf of the fund | 450,000 | 450,000 |
| PAKISTAN PENSION FUND | | |
| Management fee | 11,937,359 | 9,203,549 |
| Share of sales load | - | 291,143 |
| Contribution made to Pension fund on behalf of the employees | 1,799,657 | 1,520,607 |
| AL-HAMRA ISLAMIC ASSET ALLOCATION FUND | | |
| Management fee | 21,950,209 | 9,519,473 |
| Share of sales load | - | 460,606 |
| Back end load | 1,091,677 | - |
| Reimbursement of expenses | 971,248 | 487,292 |
| Selling and marketing | 3,884,993 | - |
| Shariah fee paid on behalf of the fund | 450,000 | 450,000 |
| AL-HAMRA ISLAMIC PENSION FUND | | |
| Management fee | 5,908,669 | 4,215,625 |
| Share of sales load | - | 69,862 |
| Contribution made to pension fund on behalf of the employees | 4,706,121 | 3,443,210 |
| PAKISTAN SARMAHA MAHFOOZ FUND (Matured) | | |
| Management fee | - | 3,125,771 |
| Reimbursement of expenses | - | 312,577 |
| PAKISTAN CASH MANAGEMENT FUND | | |
| Management fee | 3,282,022 | 4,390,003 |
| Reimbursement of expenses | 472,373 | 725,672 |
| PAKISTAN INCOME ENHANCEMENT FUND | | |
| Management fee | 11,539,831 | 18,849,600 |
| Share of sales load | 123,932 | 50,981 |
| Reimbursement of expenses | 983,581 | 1,256,641 |
| MCB PAKISTAN FREQUENT PAYOUT FUND | | |
| Management fee | 4,082,327 | 5,761,227 |
| Share of sales load | - | 20,613 |
| Formation Cost | - | 3,393,077 |
| Selling and marketing | 1,053,115 | - |
| Reimbursement of expenses | 375,737 | 537,089 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | Half year ended | |
|---|------------------------------------|------------------------------|
| | 31 December 2017 | 31 December 2016 |
| | ----- (Rupees) ----- | |
| AL-HAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-I | | |
| Management fee | 476,983 | 40,611 |
| Payment made on behalf of fund | - | 5,000,000 |
| Reimbursement of expenses | 741,361 | 5,431 |
| AL-HAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-II | | |
| Management fee | 216,110 | - |
| Back-end load | 180,916 | - |
| Reimbursement of expenses | 308,461 | - |
| ARIF HABIB CORPORATION LIMITED | | |
| Dividend paid | 37,912,292 | 37,912,292 |
| DIRECTORS & EXECUTIVES | | |
| Dividend paid | - | 314,696 |
| KEY MANAGEMENT PERSONNEL | | |
| Remuneration and other benefits | 16,252,546 | 11,648,428 |
| EXECUTIVE DIRECTOR | | |
| Remuneration and other benefits | 9,106,722 | 7,963,489 |
| | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
| 18.2 Amount outstanding as at period end | ----- (Rupees) ----- | |
| MCB BANK LIMITED | | |
| Bank balance | 4,806,414 | 11,206,085 |
| Other payable | - | 22,627,175 |
| Commission payable | 2,641,685 | 25,947,543 |
| Mark-up receivable | - | 34,212 |
| MCB ISLAMIC BANK LIMITED | | |
| Bank balance | 788,648 | 2,745,552 |
| Mark-up receivable | - | 24,198 |
| NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT.) LTD. | | |
| Rent Deposit | 784,326 | 784,326 |
| ADAMJEE LIFE ASSURANCE COMPANY LIMITED | | |
| Advisory fee receivable | 8,911,656 | 8,731,065 |
| MCB FINANCIAL SERVICES LIMITED | | |
| Payable against trustee fee | - | 226,000 |
| ARIF HABIB LIMITED | | |
| Sharing of expenses | 141,912 | 441,856 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|---|------------------------------------|------------------------------|
| | ----- (Rupees) ----- | |
| MCB DCF INCOME FUND | | |
| Remuneration receivable | 107,459,084 | 106,720,514 |
| Sales load receivable | 27,950,874 | 28,018,233 |
| Receivable against reimbursement of expenses | 495,448 | 524,823 |
| MCB PAKISTAN ASSET ALLOCATION FUND | | |
| Remuneration receivable | 24,730,335 | 24,836,759 |
| Sales load receivable | 16,502,075 | 16,230,551 |
| Back-end load | 2,413,314 | 6,939 |
| Receivable against reimbursement of expenses | 1,318,907 | 257,038 |
| Receivable against selling & marketing expenses | 6,487,223 | 2,799,803 |
| MCB CASH MANAGEMENT OPTIMIZER | | |
| Remuneration receivable | 61,697,995 | 59,215,590 |
| Closing balance of investment in units | 288,419,622 | 384,081,729 |
| Receivable against reimbursement of expenses | 4,871,969 | 664,025 |
| AL-HAMRA ISLAMIC INCOME FUND | | |
| Remuneration receivable | 10,382,467 | 9,525,302 |
| Sales load receivable | 3,062,218 | 3,053,115 |
| Receivable against reimbursement of expenses | 1,090,377 | 111,885 |
| Receivable against shariah fee | 225,000 | 75,000 |
| MCB PAKISTAN STOCK MARKET FUND | | |
| Remuneration receivable | 72,817,082 | 76,724,748 |
| Sales load receivable | 4,261,679 | 5,572,296 |
| Other receivable | 28,537 | 6,052 |
| Closing balance of investment in units | 215,170,139 | 285,219,441 |
| Receivable against reimbursement of expenses | 4,185,043 | 971,257 |
| Receivable against selling & marketing expenses | 20,519,969 | 13,336,300 |
| PAKISTAN INCOME FUND | | |
| Remuneration receivable | 11,385,877 | 11,542,973 |
| Sales load receivable | 239,276 | 245,297 |
| Receivable against reimbursement of expenses | 653,184 | 134,570 |
| MCB PAKISTAN SOVEREIGN FUND | | |
| Remuneration receivable | 29,634,833 | 30,248,261 |
| Sales load receivable | 4,172,340 | 4,169,840 |
| Receivable against reimbursement of expenses | 479,864 | 173,767 |
| PAKISTAN CAPITAL MARKET FUND | | |
| Remuneration receivable | 7,014,811 | 7,149,396 |
| Sales load receivable | 434,266 | 608,197 |
| Receivable against reimbursement of expenses | 257,795 | 56,505 |
| AL-HAMRA ISLAMIC STOCK FUND | | |
| Remuneration receivable | 11,367,170 | 10,763,732 |
| Sales load receivable | 169,819 | 439,701 |
| Receivable against reimbursement of expenses | 1,263,470 | 224,540 |
| Receivable against selling & marketing expenses | 5,997,780 | 2,961,255 |
| Receivable against shariah fee | 225,000 | 75,000 |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

| | (Unaudited) 31 December 2017 | (Audited) 30 June 2017 |
|--|------------------------------------|------------------------------|
| | ----- (Rupees) ----- | |
| PAKISTAN PENSION FUND | | |
| Remuneration receivable | 7,953,638 | 7,991,039 |
| Sales load receivable | 674,509 | 940,963 |
| Closing balance of investment in units | 244,962,913 | 263,737,823 |
| AL-HAMRA ISLAMIC ASSET ALLOCATION FUND | | |
| Remuneration receivable | 10,376,428 | 8,710,001 |
| Sales load receivable | 1,619,003 | 1,986,320 |
| Back end load receivable | 932,650 | 7,231 |
| Receivable against reimbursement of expenses | 843,269 | 123,832 |
| Receivable against selling & marketing expenses | 3,884,993 | 1,592,601 |
| Receivable against shariah fee | 225,000 | 75,000 |
| AL-HAMRA ISLAMIC PENSION FUND | | |
| Remuneration receivable | 4,001,304 | 4,048,307 |
| Sales load receivable | 123,849 | 619,674 |
| Closing balance of investment in units | 255,267,959 | 283,455,195 |
| PAKISTAN SARMAYA MAHFOOZ FUND (Matured) | | |
| Remuneration receivable | 2,334,812 | 2,335,803 |
| Receivable against reimbursement of expenses | 34,320 | 34,320 |
| Sales load receivable | 2,307,278 | 2,307,278 |
| PAKISTAN CASH MANAGEMENT FUND | | |
| Remuneration receivable | 12,261,666 | 12,744,520 |
| Receivable against reimbursement of expenses | 364,861 | 121,768 |
| Other receivable | - | 222,399 |
| Other payable | - | 181,000 |
| PAKISTAN INCOME ENHANCEMENT FUND | | |
| Remuneration receivable | 18,727,783 | 18,453,728 |
| Sales load receivable | 4,757,124 | 4,757,245 |
| Other receivable | - | 7,660 |
| Receivable against reimbursement of expenses | 836,892 | 162,167 |
| MCB PAKISTAN FREQUENT PAYOUT FUND | | |
| Remuneration receivable | 1,480,416 | 1,671,792 |
| Sales load receivable | 3,729,619 | 3,624,619 |
| Receivable against reimbursement of expenses | 303,949 | 74,789 |
| Receivable against selling & marketing expenses | 250,061 | 1,045,581 |
| AL-HAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-I | | |
| Remuneration receivable | 73,293 | 591,876 |
| Formation Cost | - | 5,000,000 |
| Other receivable | - | 30,000 |
| Receivable against reimbursement of expenses | 608,294 | 133,648 |
| AL-HAMRA ISLAMIC ACTIVE ALLOCATION FUND PLAN-II | | |
| Remuneration receivable | 51,672 | 33,536 |
| Sales load receivable | - | 6,886 |
| Other receivable | - | 30,000 |
| Receivable against reimbursement of expenses | 295,434 | 3,379 |

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged, or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and fair value estimates.

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

Fair value of investments is determined as follows:

- The fair value of investments in units of open-end collective investment schemes and pension funds are based on the net assets value quoted by the Company and Mutual Funds Association of Pakistan at each reporting date.
- Investments in government securities are valued on the basis of average rates of brokers as announced by the Financial Markets Association of Pakistan.

The estimated fair value of all other financial assets and liabilities other than asset classified as 'held for sale' is considered not to be significantly different from carrying values as the items are either short-term in nature or are periodically repriced.

19.1 Fair value hierarchy

International Financial Reporting Standard 13, 'Fair Value Measurement' requires the Fund to classify assets using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

Following are the details of the financial instruments measured at fair value:

| As at 31 December 2017 | | | | |
|--|----------------------|----------|----------|----------------------|
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- (Rupees) ----- | | | |
| Assets | | | | |
| Investment in units of open-end collective investment schemes and pension funds | | | | |
| Available-for-sale investments | 664,649,678 | - | - | 664,649,678 |
| Investments at fair value through profit or loss | 339,171,072 | - | - | 339,171,072 |
| | <u>1,003,820,750</u> | <u>-</u> | <u>-</u> | <u>1,003,820,750</u> |
| As at 30 June 2017 | | | | |
| | Level 1 | Level 2 | Level 3 | Total |
| | ----- (Rupees) ----- | | | |
| Assets | | | | |
| Investment in units of open-end collective investment schemes and pension funds | | | | |
| Available-for-sale investments | 832,412,406 | - | - | 832,412,406 |
| Investments at fair value through profit or loss | 384,081,782 | - | - | 384,081,782 |
| | <u>1,216,494,188</u> | <u>-</u> | <u>-</u> | <u>1,216,494,188</u> |

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE HALF YEAR AND QUARTER ENDED 31 DECEMBER 2017**

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on 2 February 2018 has declared an interim cash dividend of Rs. Nil per share (31 December 2016: Rs. 1.5 per share declared on 2 February 2017). These condensed interim financial information do not include the effect of this appropriation which will be accounted for in the financial statements of the company for the year ending 30 June 2018.

21 CORRESPONDING FIGURES

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

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on 2 February 2018 by the Board of Directors of the Company.

23 GENERAL

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



Chief Executive Officer



Chief Financial Officer



Director

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MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi-74900
UAN: (+92-21) 11-11-62224 (11-11-MCB-AH), 111-468-378 (111-INVEST), Fax: (+92-21) 35316080, 35316081,
URL: www.mcbah.com, Email: info@mcbah.com