



MCB-ARIF HABIB
Savings and Investments Limited

QUARTERLY REPORT

SEPTEMBER
2019
(UNAUDITED)

MCB-Arif Habib Savings and Investments Limited



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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

COMPANY INFORMATION

Board of Directors	Mian Muhammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Syed Savail Meekal Hussain 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
Risk Management Committee	Mr. Mirza Qamar Beg Mr. Ahmed Jahangir Mr. Nasim Beg	Chairman Member Member
Human Resource & Remuneration Committee	Mr. Mirza Qamar Beg 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 & Chief Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Amir Qadir	
Share Registrar	CDC Share Registrar Services Limited CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcsrsl.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 Advisor s	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, Centrepoint, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
Rating	Asset Manager: "AM2++"(PACRA)	

DIRECTORS' REPORT FOR THE QUARTER ENDED SEPTEMBER 30, 2019

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (MCBAH) are pleased to present report on the affairs of MCBAH for the quarter ended September 30, 2019.

PRINCIPAL BUSINESS

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

MARKET AND ECONOMIC REVIEW

Economy and Money Market Review

Stabilization measures pursued by the Government have started to bear fruits as the Balance of Payment situation continues to improve. The Current Account Deficit (CAD) contracted by approximately 55 per cent on a Year on Year (YoY) basis to USD 1.3 billion in the first two months of Financial Year 2019-20 (FY20). Imports of goods continued to nosedive as it compressed by 23.5 per cent while exports increased by 1.4 per cent in the first two months. On the flip side, remittances remained weak amidst lesser number of working days and declined by 8 per cent during the first two months of the fiscal year. Foreign exchange reserves increased by USD 1.2 billion during the period as Pakistan received its first tranche of USD 1.3 billion from IMF, while the outflow from CAD remained restrained.

CPI was rebased with a new base of 2015-16 and the average for newly rebased CPI clocked in at 10.1 per cent YoY. However, the latest monthly readings were recorded north of 11 per cent as rising food and energy prices took its toll on the index. Food inflation during the latest month was recorded at 15.0 per cent YoY. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 8.4 per cent for the quarter.

Large Scale Manufacturing (LSM) as anticipated continued on a downward trajectory as the import based consumption demand evaporated. LSM posted a decline of approximately 3.3 per cent in July 2019 primarily decline emanating from cyclical sectors. Both Autos and Steel manufacturing saw demand compression of 27.5 per cent and 15.5 per cent respectively.

Provisional number of tax collection were also encouraging as FBR collected PKR 962 billion in the first quarter of the current fiscal year, which was 16 per cent higher compared to the corresponding period of the last year. Dissecting the performance in terms of domestic and international collection, the performance was even better as domestic tax revenue grew by 28 per cent YoY. The non-tax collection as per the provisional estimates were also promising as the Government managed to collect PKR approximately 400 billion with the major portion driven by Surplus Profitability from SBP and Sale of Telecom sector licenses. The target for primary deficit was also met as per the provisional estimates as government generated a surplus of PKR 200 billion.

During the period under review, yield curve shifted downwards owing to massive demand for longer tenor bonds as market participants drew comfort from stabilization measures and anticipated outlook of lower inflation. 2 Year bonds eased of by 86 basis points (bps) during the quarter while the longer end (10Y) saw a massive easing of 154 bps during the same period. The State Bank of Pakistan (SBP) in its latest bi-monthly Monetary Policy Statement also left the Policy Rate unchanged at 13.25 per cent citing the Monetary Policy Committee's outlook on moderating inflation and balance of payment situation. The monetary policy committee kept the status quo after 8 successive increases.

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Equity Market Review

FY20 had a dismal start with the market posting a loss of approximately 5.4 per cent during the first quarter. While, fixed income market continued to cherish the stabilization measures, continuous selling from Mutual Funds amidst redemption measures resulted in weak sentiments in the local bourse. While foreigners continued to accumulate exposure (USD 23 million), Mutual Funds and Insurance companies were the biggest sellers, selling stocks worth of approximately USD 82/23 million respectively. During the quarter, average trading volumes amounted to approximately 94 million shares compared to approximately 129 million shares during the preceding quarter. Similarly, average trading value during the quarter was down by 12.7 per cent QoQ to approximately PKR 3,710 million.

Automobile Parts, Automobile Assemblers, Cement & Oil and Gas Marketing companies were the major laggards posting negative returns of 28.1 per cent / 17.7 per cent / 14.5 per cent / 13.3 per cent respectively. Massive decline in automobile volumes was witnessed after manufacturers raised prices to an unprecedented level, keeping the investors at bay from the sector. Similarly, Cement sector continued to remain weak as the local supply glut put pressure on cement prices while cost pressures continued to mount (Axle Load Limit). Poor result announcement by HASCOL Petroleum dragged the performance of the entire sector.

Economy & Market - Future Outlook

Policy adjustments by the central bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits for the current year. IMF forecasts Pakistan GDP growth to slow down to 2.5 per cent in FY20, in the wake of tightening policies pursued by the Government. Industrial growth will remain muted particularly for the import-driven consumption based sectors. However, export driven industrial companies can provide some respite as the Government has incentivized the above, while increased power supply also eliminates bottleneck for them.

Balance of Payment worries are over for now as current account deficit has adjusted to reasonable level since the policy actions taken by the Central Government. Our forecast at very conservative assumptions is that CAD will settle at 2.6 per cent of GDP. We have assumed crude oil prices at USD 70/BBL, which are currently hovering near USD 60/BBL. After signing up for an IMF program, Pakistan will be able to finance its gross finance requirements by tapping into international avenues. Saudi deferred oil facility will also provide a short term buffer to foreign exchange reserves. We expect foreign exchange reserves to increase to USD approximately 12 billion by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Aug'19 REER at 92.71) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

CPI is expected to jack up to an average of approximately 11.0 per cent for the fiscal year from current quarter average of 10.1 per cent owing to a hike in food inflation and rising utility prices. Nevertheless, we expect core inflation as represented by Non Food Non Energy (NFNE) to average below 10.0 per cent for the year. We expect the 12 month forward CPI to start slowing down from the second half of this fiscal year, which will open the room for monetary easing as Central Bank has indicated to opt for more proactive monetary policy approach.

On the fiscal side, the Government is aiming to limit fiscal deficit at 7.4 per cent of GDP for the year. While the final target for fiscal deficit can evolve, nevertheless, it has to meet the primary condition of IMF for limiting the primary deficit at 0.6 per cent of GDP. For this purpose, FBR is targeting an ambitious tax collection of PKR 5.5 trillion (up 35 per cent YoY). The budget presented in the parliament proposed PKR 600-700 billion of tax measures, while the remaining amount was kept contingent on FBR efforts and economic growth. On the expenditure side, the Government is aiming for austerity measures on the current expenditure side, however, it is

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aiming for an expansionary Public Sector Development Program (PSDP) of PKR 1.7 trillion (up 40 per cent YoY). We believe the tax collection target to be highly optimistic and expect a shortfall of PKR approximately 400-500 billion. The result of provisional tax collection for 1Q assert our view as there was a shortfall of PKR 100 billion during the quarter. Resultantly, the shortfall in tax collection will trickle down to a lower development spending.

On the equity side, we believe, the last two years' market performance (down approximately 39 per cent from peak levels) has reflected the concerns on political and economic direction & also reflected in performance of cyclical stocks where correction in stock prices is even sharper. We continue to reiterate our stance that current levels offer very attractive levels for long term investors with very little downside potential. We believe upside in stocks shall unveil only gradually as confidence reigns back and economic policies shape the outlook in the expected manner. Therefore, going forward, stocks offer long term investment opportunity with rewards for patient investors. We continue to track trends in the economic indicators of the Country and adjust our portfolio accordingly.

The equity strategy should be a mix of macro based theme along with bottom up analysis. The overall strategy should be a focus towards defensive sectors (E&P's, Power, Fertilizers) and sector which will benefit from changing dynamics on macro front (Commercial Banks) should be overweight. In addition to that, Government's strong focus on reviving exports should provide a boost to the outlook of export oriented sectors such as Textiles & IT. Despite being negative on cyclical stocks, we believe there will be distressed assets and quality companies which should be looked into as they have a tendency to provide abnormal returns.

MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual fund industry increased by approximately 7 per cent to approximately PKR 548 billion at the end of 1QFY20 compared to end of 4QFY19. Money market funds garnered the most attention after interest rates were increased by 100 bps during the quarter. Total money market funds grew by approximately 23 per cent since June 2019. Within the money market sphere, Shariah Compliant Funds dominated as they grew by approximately 42 per cent to PKR 41 billion. With a weak macroeconomic environment, the appetite for risk assets continued to fade away. Equity and related funds declined by approximately 15 per cent from PKR 247 billion to PKR 211 billion over the quarter. While most of the decline can be attributed to a market decline (down 19 per cent YoY), nevertheless, redemptions and conversion into less risky funds also contributed the fall of AUM's.

In terms of the segment share, Equity and Equity related funds continued to be the leader with a share of around 39 per cent, followed by Money Market funds with a share of 36 per cent and Income funds having a share of 23 per cent as at the end of FY19.

MUTUAL FUND INDUSTRY OUTLOOK

In the wake of increase in interest rates and high absolute returns, fixed income funds will continue to garner attention over the short to medium term. Interest in equity space would be contingent on how the government tackles the economy, bringing the confidence back into the markets.

COMPANY'S PERFORMANCE REVIEW

The Company recorded a gross income of Rs. 165.217 million (September 30, 2018: 191.375 million), which includes management / investment advisory fee and other operating income. After accounting for administrative, operating & financial expenses and income sharing of Rs. 138.730 million (September 30, 2018: 138.881 million), the company earned a profit before tax

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of Rs. 26.487 million (September 30, 2018: 52.493 million). The net profit after tax for the period amounts to Rs.12.876 million, as compared to net profit of Rs. 32.236 million for the corresponding period ended September 30, 2018. We expect the assets under management to strengthen further going forward contributing to the revenue growth and profitability.

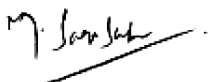
The earnings per share of current quarter ended September 30, 2019 is Re. 0.18 as compared to Re. 0.45 per share in the corresponding quarter ended September 30, 2018.

During the period, the Company has adopted IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. It requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. Due to adoption of IFRS- 16, profit for three months period ended September 30, 2019 has decreased by Rs. 4,699,683 (EPS impact Re. 0.065).

ACKNOWLEDGEMENT

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

For and on behalf of Board



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: October 24, 2019



Nasim Beg
Director/Vice Chairman

’رائٹ آف یوز asset‘ کا اظہار کریں۔ ’آئی ایف آر ایس 16‘ اختیار کرنے سے 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی مدت کا منافع 4,699,683 روپے سے کم ہوا (آمدنی فی شیئر پر اثرات: Re. 0.065)

اظہار تشکر

بورڈ آف ڈائریکٹرز سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، پاکستان اسٹاک ایکسچینج کی انتظامیہ، کی مسلسل معاونت اور تعاون کے لیے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز کمپنی کے ایمپلائیز کی کوششوں اور عزم و اخلاص اور حصص یافتگان کے کمپنی پر اعتماد کو بھی خراج تحسین پیش کرتے ہیں۔

من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر / نائب چیئرمین



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
کراچی: 24 اکتوبر، 2019ء

بلین روپے ہو گئے۔ کمزور کلاں معاشیاتی صورتحال میں خطرات کے حامل اثاثہ جات کی مانگ میں بتدریج کمی کا سلسلہ جاری رہا۔ ایکویٹی اور متعلقہ فنڈز دوران سہ ماہی 247 بلین روپے سے 211 بلین روپے ہو گئے جو تقریباً 15 فیصد کمی ہے۔ اگرچہ زیادہ تر کمی مارکیٹ میں (19 فیصد YoY) تنزلی سے منسلک کیا جاسکتا ہے لیکن بازیابیوں اور کم خطرات کے حامل فنڈز میں منتقلیوں نے بھی AUMs کی تنزلی میں کردار ادا کیا۔

شعبہ جاتی حصے کے اعتبار سے مالی سال 2019ء کے اختتام پر ایکویٹی اور اس سے متعلقہ فنڈز تقریباً 39 فیصد حصے کے ساتھ قائدانہ حیثیت پر قائم رہے، جبکہ منی مارکیٹ فنڈز 36 فیصد حصے اور انکم فنڈز 23 فیصد حصے کے ساتھ دوسرے اور تیسرے نمبر پر تھے۔

میوچل فنڈ کی صنعت کے مستقبل کے امکانات

انٹریسٹ کی شرحوں میں اضافے اور بلند حتمی منافعوں کے باعث فکسڈ انکم فنڈز کو مختصر سے درمیانی مدت میں توجہ حاصل ہونے کا سلسلہ جاری رہے گا۔ ایکویٹی کے شعبے کو توجہ حاصل ہونے کا انحصار اس بات پر ہوگا کہ حکومت کس طرح معیشت سے نمٹ کر مارکیٹوں میں اعتماد بحال کرتی ہے۔

کمپنی کی کارکردگی کا جائزہ

کمپنی کی gross آمدنی 165.217 ملین روپے تھی (30 ستمبر 2018ء : 191.375 ملین روپے) جس میں مینجمنٹ / سرمایہ کاری کی مشاورت کی فیس اور دیگر آپریٹنگ آمدنی شامل ہے۔

ایڈمنسٹریٹو، آپریٹنگ اور دیگر مالیاتی اخراجات اور انکم شیئرنگ 138.730 ملین روپے (30 ستمبر 2018ء : 138.881 ملین روپے) منہا کرنے کے بعد کمپنی کا منافع قبل از ٹیکس 26.487 ملین روپے تھا (30 ستمبر 2018ء : 52.493 ملین روپے)۔

Net منافع بعد از ٹیکس برائے مذکورہ مدت 12.876 ملین روپے ہے جبکہ 30 ستمبر 2018ء کو ختم ہونے والی مماثل مدت کے لیے 32.236 ملین روپے تھا۔ ہمیں اُمید ہے کہ انتظامیہ کے تحت آنے والے اثاثہ جات مستقبل میں مزید مستحکم ہوں گے اور آمدنی میں اضافے اور منافع بخش ہونے کی استعداد میں بہتری میں کردار ادا کریں گے۔

30 ستمبر 2019ء کو اختتام پذیر ہونے والی سہ ماہی کی آمدنی فی شیئر Re. 0.18 ہے جبکہ 30 ستمبر 2018ء کو اختتام پذیر ہونے والی سہ ماہی کی آمدنی فی شیئر Re. 0.45 تھی۔

دوران مدت کمپنی نے مالیاتی رپورٹنگ کا بین الاقوامی معیار 'آئی ایف آر ایس 16' (انٹرنیشنل فنانسئل رپورٹنگ اسٹینڈرڈ 16) اختیار کیا۔ اس اسٹینڈرڈ نے 'آئی اے ایس 17' : 'لیز' کی جگہ لی ہے جو خاص طور پر lessees کی اکاؤنٹنگ میں ایک دور رس تبدیلی ہے۔ اس کے تحت lessees کے لیے ضروری ہے کہ وہ لیز کے تمام معاہدوں کے ضمن میں مستقبل کی ادائیگیوں اور

ایف بی آر کی کوششوں اور معاشی ترقی سے مشروط کیا گیا۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات کے حوالے سے سادگی کے اقدامات پر توجہ دے رہی ہے، تاہم 1.7 ٹریلین روپے (40 فیصد YoY زیادہ) کا ایک توسیعی پبلک سیکٹر ڈیولپمنٹ پروگرام (پی ایس ڈی پی) کے لیے لیے بھی کوشاں ہے۔ ہم ٹیکس وصولی کے ہدف کو بے حد شہت پسند سمجھتے ہیں لیکن ہمیں لگتا ہے کہ اس میں 400 سے 500 بلین روپے کمی آئے گی۔ پہلی سہ ماہی میں عارضی ٹیکس وصولی کے نتیجے سے ہمارے نظریے کی توثیق ہوتی ہے کیونکہ دوران سہ ماہی 100 بلین ڈالر کی کمی ہوئی تھی۔ ٹیکس وصولی میں کمی کے نتیجے میں ترقیاتی اقدامات کے لیے کم رقم خرچ کی جائے گی۔

ایکویٹی کی جہت میں ہم سمجھتے ہیں کہ گزشتہ دو برسوں کی مارکیٹ کی کارکردگی (بلند ترین سطحوں سے تقریباً 39 فیصد کم) سے سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوئی، اور گردش اشکاس کی کارکردگی میں بھی عکاسی ہوتی ہے جہاں اشکاس کی قیمتوں میں اصلاح تیز تر ہے۔ ہم اپنے موقف پر قائم ہیں کہ موجودہ سطحیں طویل المیعاد سرمایہ کاروں کے لیے بے حد پُرکشش سطحیں پیش کرتی ہیں کیونکہ اس میں خسارے کے امکانات کم ہیں۔ ہم سمجھتے ہیں کہ اشکاس میں مثبت رجحان بتدریج ظاہر ہوگا جب اعتماد بحال ہوگا اور معاشی پالیسیوں سے متوقع انداز میں مستقبل کے امکانات کی تشکیل ہوگی۔ چنانچہ اشکاس سے طویل المیعاد سرمایہ کاری کا موقع فراہم ہوتا ہے جس میں صبر و تحمل کا مظاہرہ کرنے والے سرمایہ کاروں کے لیے فوائد مضمر ہیں۔ ہم ملک کی معاشی علامات سے باخبر رہنے اور ان کے مطابق اپنے دائرہ کار میں مطلوبہ ترمیم کرنے کا سلسلہ جاری رکھے ہوئے ہیں۔

ایکویٹی کے لائحہ عمل میں کلاں معاشیات پر مبنی عوامل اور bottom up تجربے کا امتزاج ہونا چاہیے۔ مجموعی طور پر حکمت عملی کی توجہ دفاعی شعبہ جات - ایکسپلوریشن اینڈ پروڈکشن (E&Ps)، پاور، کھاد - پر ہونی چاہیے اور کلاں معاشی میدان میں تبدیل ہوتے ہوئے عوامل سے مستفید ہونے والے شعبے (کمرشل بینکوں) کو زیادہ وزن دیا جانا چاہیے۔ علاوہ ازیں، برآمدات کی بحالی پر حکومت کی بھرپور توجہ سے برآمدات پر منحصر شعبوں مثلاً ٹیکسٹائلز اور انفارمیشن ٹیکنالوجی (IT) کے لیے مستقبل کے امکانات روشن ہوں گے۔ گردش اشکاس میں منفی رجحان کے باوجود ہم سمجھتے ہیں کہ ایسے distressed اثاثہ جات اور کوالٹی کمپنیاں موجود ہیں جن پر توجہ دی جانی چاہیے کیونکہ یہ غیر معمولی منافع جات فراہم کرنے کی استعداد کے حامل ہیں۔

میوچل فنڈ صنعت کا جائزہ

اپن end میوچل فنڈ صنعت کے net اثاثہ جات مالی سال 2020ء کی پہلی سہ ماہی تک تقریباً 548 بلین روپے ہو گئے جو مالی سال 2019ء کی چوتھی سہ ماہی کے اختتام کے مقابلے میں تقریباً 7 فیصد اضافہ ہے۔ دوران سہ ماہی انٹریٹ کی شرحوں میں 100 بیسیس پوائنٹس اضافے کے بعد مٹی مارکیٹ فنڈز نے سب سے زیادہ توجہ حاصل کی۔ گل مٹی مارکیٹ فنڈز میں جون 2019ء سے تقریباً 23 فیصد اضافہ ہوا۔ بازار زر کے دائرہ کار کے اندر شریعہ کمپلائنٹ فنڈز حاوی رہے - تقریباً 42 فیصد بڑھ کر 41

معیشت اور بازار - مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں کلاں معاشیاتی استحکام ہوگا جس کے باعث موجودہ سال کے لیے معاشی ترقی چھوٹے اعداد تک محدود ہو جائے گی۔ آئی ایم ایف کی پیش گوئی کے مطابق حکومت کی اختیار کردہ تنگی پر مبنی پالیسیوں کے تناظر میں پاکستان کی مجموعی ملکی پیداوار (جی ڈی پی) کی ترقی مالی سال 2019-20ء میں سست ہو کر 2.5 فیصد پر آجائے گی۔ صنعتی ترقی غیر فعال رہے گی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبوں کے لیے۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیاں کچھ سہولت فراہم کر سکتی ہیں کیونکہ حکومت نے ان کے لیے ترغیبات مقرر کی ہیں، جبکہ توانائی کی فراہمی میں اضافے سے بھی ان کمپنیوں کے لیے رکاوٹیں دور ہوتی ہیں۔

اندیشگی کے توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ کرنٹ اکاؤنٹ کا خسارہ (سی اے ڈی) مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آ گیا ہے۔ ہم بے حد محتاط مفروضوں کی بنیاد پر پیش گوئی کر سکتے ہیں کہ سی اے ڈی مجموعی ملکی پیداوار (جی ڈی پی) کے 2.6 فیصد پر رک جائے گا۔ ہم نے خام تیل کی قیمتوں کو 70 ڈالر فی بی بی ایل فرض کیا ہے جو موجودہ طور پر 60 ڈالر فی بی بی ایل کے قریب منڈلا رہی ہیں۔ پاکستان ایک آئی ایم ایف پروگرام اختیار کرنے کے بعد بین الاقوامی ذرائع کو استعمال میں لا کر اپنی مجموعی مالیاتی ضروریات پوری کر سکے گا۔ سعودی تیل کی ملاتوی شدہ سہولت سے بھی زرمبادلہ کے ذخائر کو مختصر المیعاد سہارا فراہم ہوگا۔ موجودہ مالی سال کے اختتام تک زرمبادلہ کے ذخائر میں 12 بلین ڈالر اضافہ متوقع ہے۔ پاکستانی روپیہ اپنے توازن کی سطحوں سے آہٹ ہے (اگست 2019ء 92.7 REER فیصد پر) اور کرنٹ اکاؤنٹ کا خسارہ قابل بقاء حد میں ہے، چنانچہ پاکستانی روپے کی قدر میں اب اس کے تاریخی اوسط کی بنیاد پر معمولی کمی ہونی چاہیے۔

زیر بحث مالی سال کے لیے سی پی آئی کا اوسط موجودہ سہ ماہی کے اوسط 10.1 فیصد سے 11.0 فیصد تک بڑھ جانے کی توقع ہے جس کا سبب اشیائے خورد و نوش کے افراطِ زر میں اضافہ اور یوٹیلٹیز کی بڑھتی ہوئی قیمتیں ہیں۔ لیکن اشیائے خورد و نوش اور توانائی کے علاوہ دیگر عوامل (NFNE) سے ظاہر ہونے والی اصل افراطِ زر کا اوسط زیر بحث سال کے لیے 10.0 فیصد سے کم متوقع ہے۔ ہمیں اُمید ہے کہ 12 ماہانہ فارورڈ سی پی آئی موجودہ مالی سال کے نصف آخر سے سست رفتار ہونا شروع ہو جائے گا جس کے مالیاتی سہولت کا موقع ملے گا کیونکہ مرکزی بینک نے مالیاتی پالیسی کا زیادہ متحرک لائحہ عمل اختیار کرنے کی طرف اشارہ کیا ہے۔

مالیاتی جہت میں حکومت زیر بحث سال کے لیے مالیاتی خسارے کو جی ڈی پی کے 7.4 فیصد تک محدود کرنے کے لیے کوشاں ہے۔ اگرچہ مالیاتی خسارے کا حتمی ہدف تبدیل ہو سکتا ہے لیکن پرائمری خسارے کو جی ڈی پی کے 0.6 فیصد پر محدود کر دینے کی آئی ایم کی بنیادی شرط کو پورا کرنا لازمی ہے۔ اس مقصد کے لیے ایف بی آر 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس جمع کرنے کا پُر عزم ہدف طے کر رہی ہے۔ پارلیمنٹ میں پیش کردہ بجٹ میں 600 سے 700 بلین روپے ٹیکس کے اقدامات کی تجویز دی گئی جبکہ باقی مقدار کو

سے علیحدہ علیحدہ دیکھا جائے تو کارکردگی زیادہ بہتر تھی کیونکہ مقامی سطح پر ٹیکس کی آمدنی میں 28 فیصد YoY اضافہ ہوا۔ ٹیکس کے علاوہ وصولی بھی عارضی تخمینوں کے مطابق حوصلہ افزا تھے۔ حکومت نے 400 بلین روپے ٹیکس جمع کیا جس کا اکثر حصہ اسٹیٹ بینک آف پاکستان (ایس بی پی) سے فاضل منافع اور ٹیلی کام سیکٹر لائسنس کی فروخت سے حاصل ہوا۔ عارضی تخمینوں کے مطابق پرائمری خسارے کا ہدف بھی حاصل ہو گیا کیونکہ حکومت نے 200 بلین کا فاضل منافع پیدا کیا۔

زیر جائزہ مدت کے دوران طویل تر میعاد کے بانڈز کی خطیر مانگ کے سبب پیداواری خم جھک گیا کیونکہ بازار میں شامل ہونے والے نئے فریق استحکام کے اقدامات سے مطمئن ہو کر افراط زر میں کمی کی توقع کر رہے تھے۔ دوران سہ ماہی دو سالہ بانڈز 86 بیسیس پوائنٹس کی ایزنگ ہوئی جبکہ اسی مدت کے دوران طویل تر میعاد والے (دس سالہ) بانڈز میں 154 بیسیس پوائنٹس کی خطیر ایزنگ ہوئی۔ ایس بی پی نے اپنے تازہ ترین دو ماہانہ مالیاتی پالیسی بیان میں افراط زر اور ادائیگی کے توازن کی صورتحال کو متعادل کرنے پر مانیٹری پالیسی کمیٹی کے نظریے کا حوالہ دیتے ہوئے پالیسی کی شرح کو تبدیل کیے بغیر 13.25 فیصد پر چھوڑ دیا ہے۔ مالیاتی پالیسی نے 8 متواتر اضافوں کے بعد رائج شرح کو برقرار رکھا ہے۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

مالی سال 2020ء کا آغاز ناخوشگوار تھا کیونکہ مارکیٹ کو پہلی سہ ماہی کے دوران 5.4 فیصد خسارے کا سامنا تھا۔ اگرچہ مقررہ آمدنی کی مارکیٹ میں استحکام کے اقدامات کا خیر مقدم کرنے کا سلسلہ جاری رہا لیکن میوچل فنڈز سے مسلسل فروخت بمع بازیابی کے اقدامات کے نتیجے میں مقامی صرافے میں مایوسی چھائی رہی۔ غیر ملکیوں نے شمولیت میں اضافے کا سلسلہ جاری رکھا (23 ملین ڈالر) اور میوچل فنڈز اور بیمہ کمپنیاں سب سے بڑے فروخت کا رتھے جنہوں نے بالترتیب 82 ملین ڈالر اور 23 ملین ڈالر مالیت کے اسٹاکس فروخت کیے۔ دوران سہ ماہی اوسط تجارتی حجم 94 ملین حصص تھے جبکہ گزشتہ سہ ماہی میں 129 ملین حصص تھے۔ اسی طرح اوسط تجارتی قدر بھی دوران سہ ماہی 12.7 فیصد QoQ کم ہو کر 3,710 ملین روپے ہو گئی۔

گاڑیوں کے پڑھ جات، آٹوموبائل اسمبلرز، سینٹ اور آئل اینڈ گیس مارکیٹنگ کمپنیز اصل سست رفتار فریق تھے جنہوں نے بالترتیب 28.1 فیصد، 17.7 فیصد، 14.5 فیصد اور 13.3 فیصد منفی منافع پوسٹ کیا۔ گاڑیوں کے تیار کنندگان کی طرف سے قیمتوں میں بے دریغ اضافے کے بعد گاڑیوں کے حجم میں شدید کمی دیکھنے میں آئی جس کے نتیجے میں سرمایہ کار اس شعبے سے دور رہے۔ اسی طرح سینٹ کا شعبہ بدستور کمزور رہا کیونکہ بے تحاشا مقامی فراہمی نے سینٹ کی قیمتوں کو دباؤ میں ڈال دیا جبکہ لاگتوں کے دباؤ بڑھتے رہے (ایکسل لوڈ لٹ)۔ پیکول پٹرولیم کے مایوس گن نتائج نے پورے شعبے کی کارکردگی کو سست بنا دیا۔

ایم سی بی عارف حبیب سیونگزمینڈاٹو سٹمنٹس لمیٹڈ (ایم سی بی اے ایچ) کے بورڈ آف ڈائریکٹرز کی طرف سے 30 ستمبر 2019ء کو ختم ہونے والی سہ ماہی کے لیے ایم سی بی اے ایچ کے معاملات کی رپورٹ پیش خدمت ہے۔

بنیادی کاروبار

ایم سی بی اے ایچ ایک غیر بینکاری مالیاتی کمپنی ہے جو سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ریگولیٹری دائرہ کار کے تحت پیشینہ فنڈ منیجر کے علاوہ اثاثہ جاتی انتظام کی کمپنی اور سرماہ کاری کے مشیر کے طور پر لائسنس شدہ ہے۔

مارکیٹ اور معیشت کا جائزہ

معیشت اور بازار زر کا جائزہ

حکومت نے استحکام کے لیے جو اقدامات کیے بالآخر ان کے ثمرات ظاہر ہونا شروع ہو گئے ہیں کیونکہ ادائیگی کے توازن کی صورتحال میں بہتری جاری ہے۔ مالی سال 2019-20ء کے پہلے دو ماہ میں کرنٹ اکاؤنٹ کا خسارہ (سی اے ڈی) ییز آنیز (YoY) بنیاد پر 55 فیصد کم ہو کر 1.3 بلین ڈالر ہو گیا۔ پہلے دو ماہ میں درآمدات میں 23.5 فیصد کمی ہوئی جبکہ برآمدات میں 1.4 اضافہ ہوا۔ دوسری جانب ترسیل زر میں 8 فیصد کمی ہوئی اور اس کمزور صورتحال کا سبب ایام کار کی کم تعداد تھی۔ زرمبادلہ کے ذخائر میں دوران مدت 1.2 بلین ڈالر اضافہ ہوا کیونکہ پاکستان کو آئی ایم ایف سے 1.3 بلین ڈالر کی پہلی قسط موصول ہوئی، جبکہ سی اے ڈی سے اخراج کا سلسلہ محدود رہا۔

صارفنی قیمت کے انڈیکس (سی پی آئی) کو 2015-16 کی نئی بنیاد کے ساتھ دوبارہ مقرر کیا گیا، اور اس نئے سی پی آئی کے اوسط کا آغاز 10.1 فیصد YoY سے ہوا۔ تاہم تازہ ترین ماہانہ اعداد و شمار سے 11 فیصد درج ہوئے کیونکہ اشیائے خورد و نوش اور توانائی کی بڑھتی ہوئی قیمتوں نے انڈیکس کو متاثر کیا۔ تازہ ترین مہینے کے دوران اشیائے خورد و نوش میں افراط زر 15.0 فیصد YoY تھا، لیکن اشیائے خورد و نوش اور توانائی کے علاوہ دیگر عوامل میں اصل افراط زر نسبتاً قابو میں تھی اور زبر بحث سہ ماہی میں اس کا اوسط 8.4 فیصد تھا۔ وسیع پیمانے کی مینوفیکچرنگ (ایل ایس ایم) میں توقع کے مطابق کمی کا رجحان جاری رہا کیونکہ درآمدات پر مبنی صرفی مانگ بتدریج ختم ہو گئی۔ ایل ایس ایم میں جولائی 2019ء میں 3.3 فیصد کمی ہوئی جس کا اصل منبع گزشتہ شعبہ جات تھے۔ گاڑیوں اور اسٹیل کی مینوفیکچرنگ میں مانگ بالترتیب 27.5 فیصد اور 15.5 فیصد سکڑ گئی۔

ٹیکس کے حصول کے عارضی اعداد بھی حوصلہ افزا تھے۔ فیڈرل بورڈ آف ریونیو (ایف بی آر) نے موجودہ مالی سال کی پہلی سہ ماہی میں 962 بلین روپے ٹیکس جمع کیا جو گزشتہ سال کی مماثل مدت کے مقابلے میں 16 فیصد زیادہ ہے۔ اگر مقامی اور بین الاقوامی اعتبار

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT SEPTEMBER 30, 2019

	Note	30 September 2019	30 June 2019
(Rupees)			
ASSETS			
Non-current assets			
Fixed assets	5	408,742,006	384,958,637
Long-term investments	6	484,730,744	486,816,184
Long-term loans and prepayments		11,116,804	9,492,144
Long-term deposits		4,575,055	4,487,188
		909,164,609	885,754,153
Current assets			
Receivable from related parties		514,533,180	499,653,341
Loans and advances		11,293,718	9,968,368
Deposits, prepayments and other receivables		62,115,860	54,802,579
Accrued mark-up		485,788	181,212
Short-term investments	7	535,220,430	504,707,388
Advance tax - net of provisions		75,839,266	66,090,652
Cash and bank balances		77,880,932	23,165,617
		1,277,369,175	1,158,569,157
Total assets		2,186,533,784	2,044,323,310
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
72,000,000 (2018: 72,000,000) ordinary shares of Rs. 10 each		720,000,000	720,000,000
Issued, subscribed and paid-up share capital		720,000,000	720,000,000
Reserves		755,102,280	742,226,313
Total equity		1,475,102,280	1,462,226,313
LIABILITIES			
Non-current liabilities			
Deferred tax liability - net		40,748,562	42,342,682
Other liabilities - lease liability against right-of-use assets		36,946,398	
Current liabilities			
Unclaimed dividend		4,210,135	4,256,938
Trade and other payables		629,526,409	535,497,377
Total liabilities		711,431,504	582,096,997
Total equity and liabilities		2,186,533,784	2,044,323,310
CONTINGENCIES AND COMMITMENTS			

11

Chief Executive Officer

Chief Financial Officer

Director

CONDENSED INTERIM PROFIT AND LOSS ACCOUNT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

		Quarter ended	
		September 30, 2019	September 30, 2018
Revenue	Note	-----Rupees-----	
Management fee / Investment advisory fee	8	153,742,952	179,049,923
Processing and other related income		6,373,643	4,331,633
Profit on bank deposits		954,482	685,774
Dividend income		1,670,212	14,357,707
Capital gain / (loss) on sale of investments - net		10,589,434	(8,100,413)
Unrealised appreciation on re-measurement of investments classified as ' FVTPL' - net		(8,412,334)	1,037,110
Other income		298,221	13,096
Total income		165,216,610	191,374,830
Expenses			
Administrative and operating expenses	9	(134,766,614)	(126,170,794)
Selling and distribution expenses	10	(2,236,404)	(11,424,167)
Financial charges		(1,026,801)	(216,425)
Worker's welfare fund		(700,000)	(1,070,000)
Total expenses		(138,729,819)	(138,881,385)
Profit for the quarter before taxation		26,486,791	52,493,445
Taxation			
- Current		(15,204,944)	(18,731,051)
- Deferred		1,594,120	(1,525,911)
		(13,610,824)	(20,256,962)
Profit for the quarter after taxation		12,875,967	32,236,483
Earning per share - basic and diluted		0.18	0.45

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



Chief Executive Officer



Chief Financial Officer



Director

**CONDENSED INTERIM STATEMENT OF OTHER COMPREHENSIVE INCOME (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

	Quarter ended	
	September 30, 2019	September 30, 2018
	Rupees	
Profit for the quarter after taxation	12,875,967	32,236,483
Other Comprehensive income for the quarter		
Unrealised appreciation/(diminution) on re-measurement of 'other comprehensive income' financial assets - related parties	-	-
Total comprehensive (loss) / profit for the quarter	12,875,967	32,236,483

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



Chief Executive Officer



Chief Financial Officer



Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	Quarter ended	
	September 30, 2019	September 30, 2018
CASH FLOW FROM OPERATING ACTIVITIES	Rupees	
Profit for the period before taxation	26,486,791	52,493,445
Adjustments for non cash and other items:		
Depreciation	8,431,405	4,353,894
Mark-up expense - lease liability against right-of-use assets	903,137	
Depreciation on right-of-use assets	3,269,553	
Amortisation	2,180,551	2,557,985
Capital (loss) / gain on sale of investments - net	(10,589,434)	8,100,413
Loss / (Gain) on fixed assets	-	-
Unrealised appreciation on re-measurement of investments classified as ' FVTPL'	8,412,334	(1,037,110)
	<u>12,607,546</u>	<u>13,975,182</u>
	39,094,337	66,468,627
WORKING CAPITAL CHANGES		
(Increase) / decrease in current assets		
Receivable from related parties	(14,879,839)	(1,492,066)
Deposits, prepayments and other receivables	(7,705,725)	(4,185,017)
Loan and advances	(1,325,350)	(23,598,920)
	(23,910,914)	(29,276,003)
(Decrease) / increase in current liabilities		
Trade and other payables	93,982,228	(30,296,238)
NET CASH USED IN WORKING CAPITAL CHANGES	<u>70,071,314</u>	<u>(59,572,241)</u>
CASH GENERATED FROM OPERATIONS	109,165,651	6,896,386
Payment for the period for Income tax, rent & others	(25,850,602)	(23,120,637)
NET CASH GENERATED / USED IN FROM OPERATING ACTIVITIES	83,315,049	(16,224,251)
CASH FLOW FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(724,572)	(2,565,160)
Additions in capital work in progress	-	(7,996,752)
Proceeds from sale of property and equipments	-	-
Investment made - net	(26,250,502)	33,795,917
Long term loans and receivables	(1,624,660)	(1,613,386)
NET CASH USED IN / GENERATED FROM INVESTING ACTIVITIES	(28,599,735)	21,620,620
NET DECREASE / INCREASE IN CASH AND CASH EQUIVALENTS	54,715,314	5,396,368
Cash and cash equivalents at the beginning of the period	23,165,617	19,491,053
Cash and cash equivalents at the end of the period	<u>77,880,932</u>	<u>24,887,421</u>

The annexed notes 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 QUARTER ENDED SEPTEMBER 30, 2019**

	Reserves					
	Capital Reserves			Revenue Reserve		
	Issued, subscribed and paid-up share capital	Share premium	Deficit arising on amalgamation	Sub total	Unrealised appreciation on re-measurement of available for sale financial assets	Total
Balance as at June 30, 2018 (Audited)	720,00,000	396,00,000	(60,00,000)	336,00,000	309,72,895	1,567,536,132
Adjustment on the initial application of IFRS 9	-	-	-	-	(309,72,895)	(3,545,215)
Balance as at July 01, 2018	720,00,000	396,00,000	(60,00,000)	336,00,000	507,990,917	1,563,990,917
Profit for the quarter ended September 30, 2018	-	-	-	-	32,238,483	(3,545,215)
Balance as at September 30, 2018 (Un-audited)	720,00,000	396,00,000	(60,00,000)	336,00,000	507,990,917	1,563,990,917
Final Dividend for year ended June 30, 2018 at Rs. 175 per share	-	-	-	-	(126,000,000)	(126,000,000)
Profit after taxation for the year ended 30 June 2019	-	-	-	-	24,235,396	24,235,396
Unrealised appreciation on re-measurement of available-for-	-	-	-	-	-	-
Balance as at June 30, 2019 (Audited)	720,00,000	396,00,000	(60,00,000)	336,00,000	406,226,313	1,462,226,313
Profit for the quarter ended September 30, 2019	-	-	-	-	12,875,967	12,875,967
Balance as at September 30, 2019 (Un-audited)	720,00,000	396,00,000	(60,00,000)	336,00,000	419,102,280	1,475,102,280

Chief Executive Officer

Chief Financial Officer

Director

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

1 LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB-Arif Habib Savings and Investments Limited ("the Company") was incorporated in the name of Arif Habib Investment Management Limited (AHIML) on August 30, 2000 as an unquoted public limited company under the requirements of the Companies Ordinance, 1984. During 2008, AHIML was listed on the Karachi Stock Exchange Limited (now integrated into the Pakistan Stock Exchange Limited) by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of AHIML was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited" (AHIL). On January 19, 2011, a transfer agreement was signed between Arif Habib Corporation Limited (AHCL) [the then parent of AHIL] and MCB Bank Limited (MCB Bank) [the then parent of MCB Asset Management Company Limited (MCB AMC)] for the transfer of the entire business of MCB AMC to AHIL to achieve synergies in business and to access a wider distribution network. The scheme of amalgamation ("the Scheme") was approved by the shareholders of AHIL and MCB AMC in their respective extraordinary general meetings held on May 21, 2011. The Scheme was also approved by the Securities and Exchange Commission of Pakistan (SECP) with the effective date of amalgamation being June 27, 2011 (the effective date). In accordance with the terms contained in the Scheme, the Company became a subsidiary of MCB Bank Limited from the end of the year ended June 30, 2011 which owns 51.33% ordinary shares in the Company till date. Pursuant to the merger of MCB AMC with and into AHIL, the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from May 23, 2013.
- 1.2 The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005 and as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 1.3 The registered office of the Company is situated at 24th Floor, Centrepont, Off Shaheed-e- Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan.
- 1.4 The Company was assigned an Asset Manager rating of AM2++ by Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on 8 October 2018. Currently, the Company is managing the following funds under its management:

	Net assets value as at	
	September 30, 2019	June 30, 2019
	(Unaudited)	(Audited)
Note	----- Rupees in million -----	
Open-end Collective Investment Schemes (CISs)		
Pakistan Income Fund	1,571	1,392
MCB Pakistan Stock Market Fund	7,933	9,556
MCB Pakistan Sovereign Fund	2,396	630
Pakistan Capital Market Fund	453	504
Pakistan Cash Management Fund	109	190
Pakistan Income Enhancement Fund	735	698
MCB Pakistan Asset Allocation Fund	1,576	2,048
MCB DCF Income Fund	4,178	3,933
MCB Cash Management Optimizer	13,376	13,903
MCB Pakistan Frequent Payout Fund	196	254
Alhamra Islamic Asset Allocation Fund	2,507	2,972
Alhamra Islamic Stock Fund	2,652	2,779
Alhamra Islamic Income Fund	2,188	2,335
Alhamra Islamic Active Asset Allocation Fund Plan - I	486	627
Alhamra Islamic Active Asset Allocation Fund Plan - II	467	708
Alhamra Daily Dividend Fund	1,198	752

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

		Net assets value as at	
		September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
		----- Rupees in million -----	
Pension Funds			
Pakistan Pension Fund		1,582	1,559
Alhamra Islamic Pension Fund	1.5	828	813
Discretionary portfolio		36,023	34,237

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

		Net assets value as at	
		September 30, 2019 (Unaudited)	June 30, 2019 (Audited)
		----- Rupees in million -----	
Number of clients		59	61
Total portfolio at cost (Rs in millions)		32,385	28,281
Total portfolio at market value (Rs in millions)		30,535	26,826
		September 30, 2019	September 30, 2018
Fee earned (Rs in millions)		8	6

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

2 BASIS OF PRESENTATION

2.1 Statement of compliance

- a) These condensed interim financial statements have been prepared in accordance with the accounting and reporting standards as applicable in Pakistan for interim financial reporting. The accounting and reporting standards as applicable in Pakistan for interim financial reporting comprise of:
- International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;
 - Provisions of and directives issued under the Companies Act, 2017 along with part VIIIA of the repealed Companies Ordinance, 1984; and
 - Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules), Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations).

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Where provisions of and directives issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations differ from the IFRS, the provisions of and directives

issued under the Companies Act, 2017, part VIII A of the repealed Companies Ordinance, 1984, the NBFC Rules and the NBFC Regulations have been followed.

- b) The disclosures made in these condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard (IAS) 34: 'Interim Financial Reporting'. These condensed interim financial statements 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 2019.
- c) The comparative condensed interim statement of financial position presented in these condensed interim financial statements have been extracted from the audited annual financial statements of the Company for the year ended 30 June 2019, whereas, the comparative condensed interim statement of profit or loss, condensed interim statement of comprehensive income, condensed interim statement of cash flows and condensed interim statement of changes in equity are extracted from the unaudited condensed interim financial statements for the period ended 30 September 2018.
- d) These condensed interim financial statements are unaudited. However, a review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.
- e) The company has made investments in mutual funds established under trust structure. As per SECP notification SRO 56(1)/ 2016 dated January 28, 2016, the requirements of consolidation under section 237 of the repealed Companies Ordinance, 1984 (section 228 of the Companies Act, 2017) and IFRS 10 is not applicable in case of investment by companies in mutual funds established under trust structure. Accordingly, the mutual funds are not being consolidated by the Company.

2.2 Accounting Convention

These financial statements have been prepared on the basis of historical cost convention, except those financial asset that have been carried at fair values in accordance with the requirement of International Financial Reporting Standards (IFRS) 9.

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 and methods of computation adopted in the preparation of these condensed interim financial statements are the same as those applied in the preparation of audited annual financial statements of the Company as at and for the year ended 30 June 2019, except for the adoption of new standards effective as of 1 July 2019 as referred to in note 3.2 to these condensed interim financial statements.

3.2 New and amended standards adopted by the company

During the current reporting period, the Company has adopted IFRS 16 - Leases. As a result of adoption of IFRS-16 the Company had to change its accounting policies.

The impact of the adoption of this Standard and the new accounting policy is disclosed in note 4.2 below.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

IFRS 16, 'Leases': this standard has been notified by the SECP to be effective for annual periods beginning on or after January 1, 2019. This standard replaces the current guidance in IAS 17, 'Leases' and is a far reaching change in accounting by lessees in particular. Under IAS 17, lessees were required to make a distinction between a finance lease (on statement of financial position) and an operating lease (off statement of financial position). IFRS 16 now requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets; however, this exemption can only be applied by lessees. For lessors, the accounting stays almost the same. At the very least, the new accounting model for lessees is expected to impact negotiations between lessors and lessees. The Company has adopted this standard for the current annual period beginning July 01, 2019 and the impact of its adoption has been specified in note 4.2.

3.3 Standards, amendments and interpretations to existing standards not yet effective and not applicable/ relevant to the Company

There are certain standards, amendments to the approved accounting standards and interpretations that are mandatory for the Company's accounting periods beginning on or after July 1, 2019 but are considered not to be relevant or to have any significant effect on the Company's operations and are, therefore, not detailed in these financial statements.

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

The significant estimates, judgements and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2019

3.5 The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Company for the year ended June 30, 2019.

4 Significant Accounting Policies

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of preceding Annual published Financial Statements of the Company for the year ended June 30, 2019 except for the application of IFRS 16 'Leases'. The Impact of the change in accounting policy has been specified in Note 4.2. Furthermore, the basis of significant estimates are same as those that were applied to the financial statements for the year ended June 30, 2019.

4.1 Changes in accounting policies

The Company has adopted IFRS 16 from July 01, 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions of the relevant standards.

4.2 Adoption of International Financial Reporting Standards (IFRS) 16 - Leases

On 1 July 2019, the Company adopted IFRS 16 Leases. This IFRS has introduced a single lease accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognize a right-of use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17 - Leases. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases differently.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date July 01, 2019 was 14.13 percent.

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On July 01, 2019, the Company recognized a lease liability, being the remaining lease payments, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The balance sheet has increased as a result of the recognition of lease liability and right-to-use assets as of 1 July 2019 was Rs. 36.94 million with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Other liabilities'. Also in relation to those leases under IFRS 16, the Company has recognized depreciation and interest costs, instead of operating lease expenses (rent expense). Moreover, with the adoption of this IFRS the Company has resultantly also changed depreciation policy and from July 01, 2019, all lease hold improvements and other costs incurred on the renovation of the leased branch and can not be dismantled or moved to other premises in case of vacation would be charged up to the life of agreement. However, any expenditure incurred on lease hold improvements and other costs incurred on the renovation of premises owned by the Company or the Agreement is more than 10 (ten) years would continue to be charged at the rate of ten per cent (10%).

The Company has elected not to recognize right-of-use assets and lease liabilities for some leases of low value assets. The lease payments associated with these leases are recognized as an expenses on a straight-line basis over the lease term. The right-of-use assets are presented in the same line items as it presents underlying assets of the same nature that it owns.

Upto 30 June 2019 assets held under property leases, not equivalent to ownership rights, were classified as operating leases and were not recognized as asset in the statement of financial position. Payments or accruals under operating leases were recognised in profit and loss on a straight line basis over term of the lease.

The effect of this change in accounting policy is as follows:

	30 Sep 2019
	(Rupees)
Impact on Statement of Financial Position	
Increase in fixed assets - right-of-use assets	33,670,753
	33,670,753
Increase in other liabilities - lease liability	
against right-of-use assets	36,946,398
(Decrease) in net assets	<u><u>(3,275,645)</u></u>

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	30 Sep 2019 (Rupees)
Impact on Profit and Loss account	
Increase in mark-up expense - lease liability against right-of-use assets	(903,137)
(Increase) / decrease in administrative expenses:	
- Depreciation on right-of-use assets	(3,269,553)
- Depreciation on fixed assets - due to change in accounting policies	(4,041,276)
- Rent expense	3,514,283
Decrease in profit before tax	(4,699,683)
Decrease in tax	-
Decrease in profit after tax	(4,699,683)

In view of the application of above IFRS, the Company's accounting policy for right-of-use assets and its related lease liability is as follow:

A contract is, or contains a lease if the contract conveys a right to control the use of an identified asset for a period of time in exchange for consideration. The Company mainly leases properties for its operations. The Company recognizes a right-of-use asset and lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, and subsequently at cost less any accumulated depreciation and impairment losses, and adjusted for certain remeasurements of the lease liability. The right-of-use asset is depreciated using the straight line method from the commencement date to the earlier of end of the useful life of right-of-use asset or end of the lease term. The estimated useful lives of assets are determined on the same basis as that for owned assets. In addition, the right-of-use asset is periodically reduced by impairment losses, if any.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Company's incremental borrowing rate. The lease liability is subsequently increased by the interest cost on the lease liability and decreased by lease payments made. It is re-measured when there is a change in future lease payments arising from a change in an index or rate, a change in assessment of whether extension option is reasonably certain to be exercised or a termination option is reasonably certain not to be exercised.

5	FIXED ASSETS	Note	30 Sep 2019	30 June 2019
			(Rupees)	
	Tangible			
	Property and equipment	5.1	68,833,862	76,673,909
	Fixed assets - right-of-use assets	4.2	33,670,753	-
			102,504,615	76,673,909
	Intangible assets			
	Computer software	5.2	32,110,458	34,157,795
	Goodwill	5.2	82,126,933	82,126,933
	Management rights	5.2	192,000,000	192,000,000
			306,237,391	308,284,728
5.1	Property and equipment		408,742,006	384,958,637

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

30 September 2019						
	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Total
	(Rupees)					
As at 1 July 2019						
Cost	50,316,668	28,800,538	18,742,110	77,725,699	1,794,000	177,379,015
Accumulated depreciation	(28,563,408)	(17,892,956)	(5,263,945)	(18,215,474)	(523,250)	(70,459,033)
Accumulated Impairment losses			(3,008,277)	(27,237,796)		(30,246,073)
Net book value	21,753,260	10,907,582	10,469,888	32,272,429	1,270,750	76,673,909
Quarter ended 30 September 2019						
Opening net book value	21,753,260	10,907,582	10,469,888	32,272,429	1,270,750	76,673,909
Additions during the year	164,970	13,000	-	413,388	-	591,358
Disposals during the year						
Cost					-	-
Accumulated depreciation			-	-	-	-
Depreciation for the year	(2,040,406)	(1,047,729)	(251,224)	(4,979,921)	(112,125)	(8,431,405)
Closing net book value	19,877,824	9,872,853	10,218,664	27,705,896	1,158,625	68,833,862
As at 30 September 2019						
Cost	50,481,638	28,813,538	15,733,833	50,901,291	1,794,000	147,724,300
Accumulated depreciation	(30,603,814)	(18,940,685)	(5,515,169)	(23,195,395)	(635,375)	(78,890,438)
Net book value	19,877,824	9,872,853	10,218,664	27,705,896	1,158,625	68,833,862
Depreciation rates (% per annum)	25%	20% - 50%	10%	10%	25%	

30 June 2019						
	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Total
	(Rupees)					
As at 1 July 2018						
Cost	33,591,515	28,032,673	16,734,895	66,331,512	9,456,267	154,146,862
Accumulated depreciation	(22,967,800)	(14,562,180)	(4,214,559)	(11,762,521)	(7,737,017)	(61,244,077)
Net book value	10,623,715	13,470,493	12,520,336	54,568,991	1,719,250	92,902,785
Year ended 30 June 2019						
Opening net book value	10,623,715	13,470,493	12,520,336	54,568,991	1,719,250	92,902,785
Additions during the year	17,479,135	2,613,764	4,055,584	14,703,222	-	38,851,705
Disposals during the year						
Cost	(753,982)	(1,845,899)	(2,048,369)	(3,309,035)	(7,662,267)	(15,619,552)
Accumulated depreciation	720,512	1,381,021	698,848	910,428	7,662,267	11,373,076
	(33,470)	(464,878)	(1,349,521)	(2,398,607)	-	(4,246,476)

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

	30 June 2019					
	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	Total
	(Rupees)					
Impairment during the year			(3,008,277)	(27,237,796)		(30,246,073)
Depreciation for the year	(6,316,120)	(4,711,797)	(1,748,234)	(7,363,381)	(448,500)	(20,588,032)
Closing net book value	21,753,260	10,907,582	10,469,888	32,272,429	1,270,750	76,673,909
As at 30 June 2018						
Cost	50,316,668	28,800,538	18,742,110	77,725,699	1,794,000	177,379,015
Accumulated depreciation	(28,563,408)	(17,892,956)	(5,263,945)	(18,215,474)	(523,250)	(70,459,033)
Accumulated Impairment losses			(3,008,277)	(27,237,796)		(30,246,073)
Net book value	21,753,260	10,907,582	10,469,888	32,272,429	1,270,750	76,673,909
Depreciation rates (% per annum)	25%	20% - 50%	10%	10%	25%	

5.2 Intangible assets

	30 September 2019			
	Computer software	Goodwill	Management rights	Total
	(Rupees)			
As at 1 July 2019				
Cost	82,095,045	82,126,933	192,000,000	356,221,978
Accumulated amortization	(47,937,250)	-	-	(47,937,250)
Net book value	34,157,795	82,126,933	192,000,000	308,284,728
Period ended 30 September 2019				
Opening net book value	34,157,795	82,126,933	192,000,000	308,284,728
Additions during the year	133,214	-	-	133,214
Amortization for the year	(2,180,551)	-	-	(2,180,551)
Closing net book value	32,110,458	82,126,933	192,000,000	306,237,391
As at 30 September 2019				
Cost	82,228,259	82,126,933	192,000,000	356,355,192
Accumulated amortization	(50,117,801)	-	-	(50,117,801)
Net book value	32,110,458	82,126,933	192,000,000	306,237,391
Amortization rates (% per annum)	25%			

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2019**

	30 June 2019			
	Computer software	Goodwill	Management rights	Total
As at 1 July 2018	(Rupees)			
Cost	68,429,778	82,126,933	192,000,000	342,556,711
Accumulated amortization	(36,629,516)	-	-	(36,629,516)
Net book value	31,800,262	82,126,933	192,000,000	305,927,195
Year ended 30 June 2019				
Opening net book value	31,800,262	82,126,933	192,000,000	305,927,195
Additions during the year	13,665,267	-	-	13,665,267
Amortization for the year	(11,307,734)	-	-	(11,307,734)
Closing net book value	34,157,795	82,126,933	192,000,000	308,284,728
As at 30 June 2019				
Cost	82,095,045	82,126,933	192,000,000	356,221,978
Accumulated amortization	(47,937,250)	-	-	(47,937,250)
Net book value	34,157,795	82,126,933	192,000,000	308,284,728
Amortization rates (% per annum)	25%			

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

5.3 Depreciation and amortisation is allocated as follows:

Note	(Unaudited)		(Unaudited)	
	September 30, 2019	September 30, 2018	September 30, 2019	September 30, 2018
	Depreciation	Amortisation	Depreciation	Amortisation
	Rupees		Rupees	
Charged to profit and loss	11,584,799	2,150,580	4,248,017	2,495,095
Charged to Collective investment Schemes under management	133,545	34,538	105,878	62,205
	11,718,343	2,185,118	4,353,895	2,557,300

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

6 LONG TERM INVESTMENTS

In Collective Investment Schemes - related parties

At fair value through profit or loss (previously classified as available for sale)

6.1 At fair value through profit or loss (previously classified as available for sale)

Note	(Rupees)	
	Un-audited September 30, 2019	Audited June 30, 2019
6.1	484,730,744	486,816,184

Name of the Investee Fund	Note	As at September 30, 2019		As at June 30, 2019	
		Carrying Value	Unrealized loss	Carrying Value	Unrealized loss
Units					
(Rupees)					
Open end mutual funds					
Pakistan Pension Fund	5.1.1	805,305	255,569,563	(10,037,282)	255,569,563
Alhanna Islamic Pension Fund	5.1.1	876,129	265,058,612	(25,860,149)	265,058,612
		520,628,175	484,730,744	(35,897,431)	520,628,175
					486,816,164
					(33,811,991)

September 30, 2019	June 30, 2019
535,220,430	504,707,388
----- Rupees -----	

At fair value through profit or loss

Note

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

8 MANAGEMENT FEE / INVESTMENT ADVISORY FEE

	Note	QUARTER ENDED	
		SEPTEMBER 30 2019	SEPTEMBER 30 2018
		-----Rupees-----	
From Collective Investment Schemes - related parties	8.1	164,847,231	195,370,464
From Discretionary Portfolio		8,882,305	6,955,951
		173,729,536	202,326,415
Less : Indirect taxes and duties on management fee		(19,986,584)	(23,276,490)
		153,742,952	179,049,925

8.1 From Collective Investment Schemes - related parties

MCB Cash Management Optimizer	20,458,189	22,999,682
MCB Pakistan Asset Allocation Fund	9,731,355	18,312,718
MCB DCF Income Fund	17,493,096	18,013,616
Alhamra Islamic Income Fund	6,941,791	5,845,853
MCB Pakistan Sovereign Fund	7,392,804	1,365,164
Pakistan Capital Market Fund	2,625,645	3,520,576
Pakistan Cash Management Fund	635,517	840,929
Pakistan Income Enhancement Fund	3,044,768	3,361,104
Pakistan Income Fund	6,905,614	3,903,344
Alhamra Islamic Asset Allocation Fund	14,928,758	21,485,853
Alhamra Islamic Pension Fund	3,420,418	3,376,691
Pakistan Pension Fund	6,539,729	6,647,341
MCB Pakistan Stock Market Fund	46,618,503	63,786,380
Alhamra Islamic Stock Fund	14,522,627	19,670,421
MCB Pakistan Frequent Payout Fund	1,011,573	1,432,222
Alhamra Islamic Active Asset Allocation Fund Plan - I	45,379	214,064
Alhamra Islamic Active Asset Allocation Fund Plan - II	37,621	59,435
Alhamra Daily Dividend Fund	2,493,844	535,071
	164,847,231	195,370,464

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

9	ADMINISTRATIVE AND OPERATING EXPENSES	QUARTER ENDED	
		SEPTEMBER 30 2019	SEPTEMBER 30 2018
		-----Rupees-----	
	Salaries, allowances and other benefits	83,555,810	82,395,021
	Legal, professional & related charges	1,491,085	1,953,074
	Traveling and conveyance charges	486,435	1,378,242
	Rent, utilities, repairs and maintenance	23,443,322	24,177,561
	Office supplies	234,549	232,669
	Auditors' remuneration	625,000	700,000
	Directors' meeting fee	1,725,000	1,425,000
	Insurance	560,988	472,068
	Depreciation	11,584,799	4,248,017
	Amortisation	2,150,580	2,495,095
	Printing and stationery	701,286	842,201
	Entertainment expenses	651,162	647,030
	Books, periodicals, subscription and training	7,556,599	3,501,235
		134,766,614	126,170,794

9.1 Uptil June 19, 2019 in accordance with Regulation 60 of the NBFC Regulations, the Management Company was entitled to charge expenses related to registrar services, accounting, operations and valuation services, related to a Collective Investment Scheme (CIS) at the rate of 0.1% of the average annual net assets of the scheme or actual whichever is less. SECP vide SRO 639(I)/2019 dated June 20, 2019 has removed the maximum cap of 0.1%. Resultantly, during the current quarter, the Management Company has charge actual expenses to the extent as it has think expedient.

10 SECP vide SRO 639(I)/2019 dated June 20, 2019 has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds). Furthermore, maximum cap of selling and marketing expense of 0.4% per annum has also been removed. Resultantly, during the current quarter, the Management Company has charge actual expenses to the extent as it has think expedient.

11 CONTINGENCIES AND COMMITMENTS

11.1 The Punjab Revenue Authority issued a show cause notice no. PRA/AM.70/14/18 dated 20 June 2014 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, by filing a petition on 08 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.

11.2 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 or loss account and created a demand of Rs. 25.567 million. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB Asset Management Company (MCB AMC) into the Company etc. The Company filed an appeal before the Commissioner Inland Revenue – Appeals [CIR-A] against the impugned order and notice of demand issued there against.

The CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein. An appeal against the order of "CIR-A has been filed before the Appellate Tribunal Inland Revenue

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

[ATIR] by the Commissioner Inland Revenue. The Company, in " consultation with its tax advisor, is confident of a favourable outcome.

- 11.3** 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 09 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 statement of profit or loss account and created a demand of Rs. 93.398 million. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB AMC into the Company etc. An appeal before the CIR-A was filed by the Company which has been adjudged in favor of the Company in respect of major disallowances made in the Order of the DCIR. In respect of the matters confirmed by the CIR-A, the Company has filed an appeal before the ATIR. For issues deleted / set-aside by the CIR-A, an appeal has also been filed by the Commissioner Inland Revenue before the ATIR. The Company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 11.4** On 29 March 2017, the ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 amending the assessment for tax year 2012 after making certain additions / disallowances in the statement of profit or loss account and created a demand of Rs. 82.841 million. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB AMC into the Company, disallowance of brought forward losses / refunds of prior periods etc. The Company filed an appeal before the CIR-A against the impugned order and notice of demand issued there against. The CIR-A annulled the Order of the ACIR by deleting demand on all the issues raised therein. An appeal against the order of the CIR-A has been filed before the ATIR by the Commissioner Inland Revenue. The Company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 11.5** On 29 April 2017, a notice under section 122(9) of the Income Tax Ordinance, 2001 was issued by the ACIR to conduct the amendment of assessment proceedings for tax year 2011 of the pre-merger entity MCB AMC. On 03 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 CIR-A against the impugned order and notice of demand issued there against. During the year ended 30 June 2018, order of the CIR-A was received by the Company whereby the demand on major issues was deleted. In respect of the matters confirmed by the CIR-A, the Company has filed an appeal before the ATIR. For issues deleted / set-aside by the CIR-A, an appeal has also been filed by the Commissioner Inland Revenue before the ATIR. The Company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 11.6** On 29 February 2016, the DCIR passed an order under section 122(1) of the Income Tax Ordinance, 2001 relating to the tax year 2010 of MCB AMC making certain additions / disallowances in the return. The Company filed an appeal before the CIR-A against the said order. The CIR-A vide order dated December 11, 2017 deleted the disallowances made by the DCIR. Subsequently, the ACIR relating to tax year 2010 of MCB AMC treated tax deduction under section 153(1)(b) on service as minimum tax creating demand of Rs 0.980 million on 04 May 2016. The Company filed an appeal before CIR-A. The CIR-A vide order dated 22 January 2018 has confirmed the treatment of ACIR. The Company has filed an appeal before the ATIR against the order of CIR-A. The Company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

- 11.7** On 24 November 2017, the Company received two orders pertaining to tax years 2015 and 2016 passed by the ACIR and DCIR raising demands of Rs. 119.350 million and Rs. 142.008 million respectively. The disallowances mainly pertained to apportionment of expenses, management / processing fee and related income sharing, amortization of management rights / goodwill created on merger of the MCB AMC into the Company, treatment of provision for FED as income of the Company etc. The Company filed separate appeals before the CIR-A against the impugned orders and notices of demand issued there against. During the year ended 30 June 2018, orders of CIR-A were received against the said appeals. For issues decided against the Company, appeals before the ATIR have been filed by the Company. The Company, in consultation with its tax advisor, is confident of a favourable outcome in respect of the said appeals.
- 11.8** On 05 June 2017, the Company received an order passed by the Assistant Commissioner - Sindh Revenue Board [AC,SRB] wherein a demand of Sindh Sales Tax of Rs.10.62 million along with penalty of Rs. 6.33 million and default surcharges (to be calculated at the time of payment) was established for short levy and payment of Sindh Sales Tax on its services and for claiming inadmissible input tax during tax periods from July 2011 to June 2015. An appeal against the aforesaid order was filed before the Commissioner Appeals-SRB who upheld the order of the Assistant Commissioner, SRB in its appellate order. An appeal had filed before the Appellate Tribunal, SRB against aforesaid order of the Commissioner Appeals, SRB. On the basis of factual and legal grounds, the Company in consultation with its tax consultant anticipates a favorable outcome of the aforesaid appeal.
- 11.9** During the year ended 30 June 2019, the Sindh Revenue Board has issued two orders dated 03 October 2018 and 10 October 2018 raising a demand of Sindh Sales Tax Rs. 3.8 million and 1.2 million along with penalty of Rs. 4.04 million and Rs. 1.4 million respectively wherein input tax claimed by the Company against various transactions has been disallowed by the assessing Officer on the ground that the output tax against the same has not been offered by the respective vendors. Appeals against the aforesaid both orders have been filed before the Commissioner Appeals, SRB which is still pending. On the basis of factual and legal grounds, the Company in consultation with its tax consultant anticipates a favorable outcome of the aforesaid appeal.
- 11.10** During the year ended 30 June 2015, the Company had obtained a short-term running finance facility under mark up arrangement with MCB Bank Limited (a related party) amounting to Rs. 500 million. The facility carried mark-up at one month KIBOR+0.5% (2018: KIBOR+0.5%) per annum. The facility was secured against pledge of government securities i.e. PIBs and T-Bills and expired on 30 June 2019. However, the facility was unutilized as at 30 June 2019 and has not been renewed subsequent to year end.
- 11.11** The Board of Directors in its meeting held on 13 September 2019 has declared final cash dividend of Rs. 1.35 per share (2018: Rs. 1.75 per share declared on 14 September 2018). These financial statements 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 2020.

12 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:

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

12.1 Transactions with related parties during the period

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 Sept 2018
(Rupees)				
MCB Bank Limited	Parent company with 51.33% Holding	Commission and other expenses	8,396,864	12,527,698
		Profit on bank deposits	846,066	423,593
		Reimbursement of expenses	-	-
		Branch sharing expenses	5,149,817	1,127,697
		Dividend paid	-	-
		Financial charges	47,464	40,105
MCB Islamic Bank Limited	Subsidiary of Parent Company	Bank charges	-	3,333
Nishat Real Estate Development Company (Pvt) Limited	Group Company of Parent Company	Rent expense	1,043,938	862,759
Adamjee Life Assurance Company Limited	Group Company of Parent Company	Investment advisory fee	5,147,793	4,090,220
Adamjee Insurance Company Limited	Group Company of Parent Company	Amount paid against insurance	1,008,828	248,562
		Dividend paid	-	-
Arif Habib Limited	Subsidiary of Associated Company	Sharing of expenses	-	112,363
MCB Cash Management Optimizer	Funds under management	Management fee	20,458,189	22,999,682
		Investment in units	18,055,537	173,942,988
		Redemption of units	18,313,676	231,000,000
		Selling and Marketing	6,492,089	-
		Reimbursement of expenses	3,394,984	3,137,643
MCB DCF Income Fund	Funds under management	Management fee	17,493,096	18,013,616
		Share of sales load	60,697	134,555
		Back end load	-	1,619
		Selling and Marketing	919,168	-
		Reimbursement of expenses	1,032,041	1,060,750
Alhambra Islamic Income Fund	Funds under management	Management fee	6,941,791	5,845,853
		Share of sales load	112,046	24,975
		Sharia fee paid on behalf of the fund	225,000	225,000
		Selling and Marketing	879,985	-
		Reimbursement of expenses	607,557	699,007
MCB Pakistan Asset Allocation Fund	Funds under management	Management fee	9,731,355	18,312,718
		Share of sales load	182	41,922
		Reimbursement of expenses	596,363	810,296
		Selling and marketing	2,849,593	3,240,957
		Back-end load	829,328	666,699
MCB Pakistan Frequent Payout Fund	Funds under management	Management fee	1,011,573	1,432,222
		Share of sales load	88	-
		Reimbursement of expenses	52,670	106,280
		Selling and marketing	197,874	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 Sept 2018
			----- (Rupees) -----	
Alhamra Islamic Stock Fund	Funds under management	Management fee	14,522,627	19,670,421
		Share of sales load	23,605	262,410
		Reimbursement of expenses	642,593	870,371
		Selling and marketing	3,078,341	3,481,490
		Sharia fee paid on behalf of the fund	225,000	225,000
		Others	-	-
MCB Pakistan Sovereign Fund	Funds under management	Management fee	7,392,804	1,365,164
		Share of sales load	267,943	-
		Selling and Marketing	365,776	-
		Reimbursement of expenses	262,994	151,385
		Investment in Units	8,227,804	-
		Redemption in Units	6,411,231	-
MCB Pakistan Stock Market Fund	Funds under management	Management fee	46,618,503	63,786,380
		Share of sales load	198,981	350,660
		Reimbursement of expenses	2,062,765	2,822,406
		Selling and marketing	12,773,942	11,289,625
		Investments in units	-	44,000,000
		Redemption of units	-	44,000,000
Pakistan Capital Market Fund	Funds under management	Management fee	2,625,645	3,520,576
		Share of sales load	9,795	4,577
		Reimbursement of expenses	116,179	155,778
		Selling and marketing	717,222	623,111
		Others	-	-
Pakistan Cash Management Fund	Funds under management	Management fee	635,517	840,929
		Reimbursement of expenses	40,029	96,231
Pakistan Income Enhancement Fund	Funds under management	Management fee	3,044,768	3,361,104
		Share of sales load	64,346	-
		Selling and Marketing	815,857	-
		Reimbursement of expenses	178,089	253,141
Pakistan Income Fund	Funds under management	Management fee	6,905,614	3,903,344
		Share of sales load	13,050	79,867
		Reimbursement of expenses	372,680	428,621
		Others	-	-
		Selling and marketing	483,161	-
Alhamra Islamic Asset Allocation Fund	Funds under management	Management fee	14,928,758	21,485,853
		Share of sales load	134,895	383,999
		Back end load	4,608,224	2,256,597
		Reimbursement of expenses	660,564	950,702
		Selling and marketing	4,102,383	3,802,806
		Shariah fee paid on behalf of the fund	225,000	225,000
Alhamra Islamic Pension Fund	Funds under management	Management fee	3,420,418	3,376,691
		Share of sales load	27,966	79,537
		Contribution to fund on behalf of the employees	4,475,606	3,673,730
Pakistan Pension Fund	Funds under management	Management fee	6,539,729	6,647,341
		Share of sales load	22,497	44,216
		Contribution to fund on behalf of the employees	1,416,604	1,309,490

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 Sept 2018
----- (Rupees) -----				
Al-Hamra Islamic Active Asset Allocation Fund Plan-I	Funds under management	Management fee	45,379	214,064
		Reimbursement of expenses	132,474	353,066
Al-Hamra Islamic Active Asset Allocation Fund Plan-II	Funds under management	Management fee	37,621	59,435
		Back-end load		
		Reimbursement of expenses	149,025	198,545
Alhamra Daily Dividend Fund	Funds under management	Management fee	2,493,844	535,071
		Reimbursement of expenses	136,527	-
		Selling and Marketing	1,027,367	-
		Bank Charges	408,748	55,600

12.2 Amount outstanding as at period end

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 Sept 2018
----- (Rupees) -----				
MCB Bank Limited	Parent company with 51.33% Holding	Bank balance	68,273,066	20,079,651
		Other payable	5,202,040	14,379,790
		Commission payable	3,257,101	3,740,320
		Mark-up receivable	433,809	174,519
MCB Islamic Bank Limited	Subsidiary of Parent Company	Bank balance	305,877	1,065,065
		Mark-up receivable	1,378	1,090
Adamjee Life Assurance Company Limited	Group Company of Parent Company	Advisory fee receivable	12,690,527	9,071,168
		Receivable against sale of intangible	-	2,500,000
Nishat Real Estate Development Company (Pvt.) Ltd.	Group Company of Parent Company	Rent Deposit	784,326	784,326
Arif Habib Limited	Subsidiary of Associated Company	Sharing of expenses	-	112,363
MCB DCF Income Fund	Funds under management	Remuneration receivable	104,924,296	104,708,561
		Sales load receivable	28,314,414	28,302,229
		Receivable against reimbursement of expenses	345,903	333,658
		Receivable against selling & marketing expenses	919,168	-
MCB Pakistan Asset Allocation Fund	Funds under management	Remuneration receivable	21,925,653	24,796,888
		Sales load receivable	16,173,283	16,581,247
		Back-end load	943,920	2,047,105
		Receivable against reimbursement of expenses	128,228	255,272
		Receivable against selling & marketing expenses	2,058,408	3,240,957
MCB Cash Management Optimizer	Funds under management	Remuneration receivable	59,695,568	61,141,966
		Closing balance of investment in units	1,850,365	366,917,310
		Receivable against reimbursement of expenses	1,112,953	1,011,989
		Receivable against selling & marketing expenses	6,492,089	-
		Sales load receivable	18,788	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 Sept 2018
			----- (Rupees) -----	
Alhamra Islamic Income Fund	Funds under management	Remuneration receivable	10,129,195	10,552,965
		Sales load receivable	3,241,313	3,045,242
		Receivable against reimbursement of expenses	189,146	220,558
		Receivable against selling & marketing expenses	879,985	-
		Receivable against shariah fee	225,000	150,000
MCB Pakistan Stock Market Fund	Funds under management	Remuneration receivable	69,086,973	76,112,039
		Sales load receivable	4,184,436	4,264,209
		Other receivable		13,097
		Closing balance of investment in units	3,227,917	194,095,723
		Receivable against reimbursement of expenses	633,302	944,146
		Receivable against selling & marketing expenses	12,773,942	11,289,625
Pakistan Income Fund	Funds under management	Remuneration receivable	12,458,515	10,596,669
		Sales load receivable	260,249	351,511
		Receivable against reimbursement of expenses	130,118	-
		Receivable against selling & marketing expenses	483,161	-
		Others	-	17,951
MCB Pakistan Sovereign Fund	Funds under management	Remuneration receivable	33,429,520	29,478,970
		Sales load receivable	4,846,700	4,169,840
		Closing balance of investment in units	1,816,573	-
		Receivable against reimbursement of expenses	145,816	51,282
		Receivable against selling & marketing expenses	365,776	-
Pakistan Capital Market Fund	Funds under management	Remuneration receivable	6,320,444	7,015,204
		Sales load receivable	416,014	394,087
		Receivable against reimbursement of expenses	36,506	50,596
		Receivable against selling & marketing expenses	717,222	623,111
		Others	376,967	-

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 June 2019
			---- (Rupees) ----	---- (Rupees) ----
Alhamra Islamic Stock Fund	Funds under management	Remuneration receivable	10,394,772	12,014,574
		Sales load receivable	129,065	271,931
		Receivable against reimbursement of expenses	208,202	279,886
		Receivable against selling & marketing expenses	3,078,341	3,481,490
		Receivable against Shariah Fee	225,000	225,000
		Others Receivable	-	2,883

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	30 Sept 2019	30 June 2019
			---- (Rupees) ----	----(Rupees)----
Pakistan Pension Fund	Funds under management	Remuneration receivable	8,119,054	8,130,585
		Sales load receivable	2,041,255	981,968
		Closing balance of investment in units		256,893,348
Alhamra Islamic Asset Allocation Fund	Funds under management	Remuneration receivable	10,535,374	13,065,987
		Sales load receivable	1,357,496	3,708,555
		Back end load receivable	5,710,479	3,294,854
		Receivable against reimbursement of expenses	204,600	316,575
		Receivable against selling & marketing expenses	4,102,383	3,802,806
		Receivable against shariah fee	225,000	150,000
Alhamra Islamic Pension Fund	Funds under management	Remuneration receivable	4,155,959	4,147,386
		Sales load receivable	2,221	160,025
		Closing balance of investment in units		785,129
Pakistan Sarmaya Mahfooz Fund (Matured)	Funds under management	Remuneration receivable	1,960,082	1,960,082
		Sales load receivable	2,307,278	2,307,278
Pakistan Cash Management Fund	Funds under management	Remuneration receivable	12,349,660	12,175,415
		Receivable against reimbursement of expenses	9,561	28,229
Pakistan Income Enhancement Fund	Funds under management	Remuneration receivable	17,673,365	17,555,098
		Sales load receivable	4,898,915	4,733,987
		Other receivable		3,530
		Receivable against reimbursement of expenses	59,851	72,077
		Receivable against selling & marketing expenses	815,857	-
MCB Pakistan Frequent Payout Fund	Funds under management	Remuneration receivable	1,115,209	1,262,333
		Sales load receivable	3,624,781	3,624,619
		Receivable against reimbursement of expenses	16,233	31,305
		Receivable against selling & marketing expenses	197,874	-
Al-Hamra Islamic Active Asset Allocation Fund Plan-I	Funds under management	Remuneration receivable	18,711	1,068,509
		Receivable against reimbursement of expenses	81,878	115,207
Al-Hamra Islamic Active Asset Allocation Fund Plan-II	Funds under management	Remuneration receivable	12,371	15,520
		Receivable against reimbursement of expenses	91,368	64,501
Alhamra Daily Dividend Fund	Funds under management	Remuneration receivable	294,669	144,539
		Payable against bank charges	408,748	55,600
		Other receivable		
		Receivable against reimbursement of expenses	94,096	-
		Receivable against selling & marketing expenses	1,027,367	-

NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2019

13 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on October 24, 2019 by the Board of Directors of the Company.

14 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The members in Annual General Meeting held on October 24, 2019 has approved final cash dividend of Rs. 1.35 per share (2018: Rs. 1.75 per share approved on October 26, 2018). These financial statements do not include the effect of this appropriation which will be accounted for in the financial statements of the Company for the period ending December 31, 2019.

15 CORRESPONDING FIGURES

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

16 GENERAL

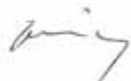
Amounts have been rounded off to the nearest Rupee unless otherwise stated.



Chief Executive Officer



Chief Financial Officer










Director



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