



MCB-ARIF HABIB
Savings and Investments Limited

ANNUAL REPORT 2019

MCB-Arif Habib Savings and Investments Limited



TABLE OF CONTENTS

1	Vision, Mission and Core Value	02
2	Company Information	03
3	Notice of Annual General Meeting	04
4	Chairman’s Review Report	12
5	Directors’ Report	14
6	Pattern of Shareholding	37
7	Statement of Compliance with the Code of Corporate Governance	39
8	Review Report to the Members on the Statement of Compliance with the Code of Corporate Governance	42
9	Financial and Business Highlights	44
10	Auditors’ Report to the Members	45
11	Statement of Financial Position	50
12	Statement of Profit and Loss Account	51
13	Statement of Comprehensive Income	52
14	Statement of Changes in Equity	53
15	Statement of Cash Flow	54
16	Notes to the Financial Statements	55
17	Form of Proxy	89

Vision

To become synonymous with Savings

Mission

To become a preferred Saving 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. Ahmed Jahangir Mr. Samad A. Habib Mr. Haroun Rashid Mr. Mirza Qamar Beg Syed Savail Meekal Hussain Mr. Muhammad Saqib Saleem	Chairman Vice Chairman Director Director Director Director Director Chief Executive Officer
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	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, Center point, off Shaheed-e-Millat Express Way Near K.P.T. Interchange, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Nineteenth (19th) Annual General Meeting of MCB-Arif Habib Savings and Investments Limited will be held on Thursday, October 24, 2019 at 11:45 a.m. at Sapphire Hall, Ramada Creek, Zulfiqar Street 1, DHA Phase VIII, Karachi – Pakistan to transact the following business:

Ordinary Business:

1. To confirm the minutes of the last Annual General Meeting held on October 26, 2018;
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2019 together with Directors' and Auditors' Reports thereon;
3. To declare and approve final cash dividend of 13.5 per cent i.e. Re. 1.35 per ordinary share of Rs. 10/- each for the year ended June 30, 2019, as recommended by the Board of Directors;
4. To appoint external auditors of the Company for the year ending June 30, 2020 and fix their remuneration. The Board of Directors, on the recommendation of Audit Committee of the Company, has proposed the appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as external auditors for the year ending June 30, 2020; and
5. To transact any other business with the permission of the Chair.

By Order of the Board



Amir Qadir
Company Secretary

September 30, 2019
Karachi

Notes:

1. Book Closure Notice

The Share Transfer Books of the Company will remain closed from Thursday, October 17, 2019 to Thursday, October 24, 2019 (both days inclusive). Transfers received in order at the office of our Share Registrar M/s. CDC Share Registrar Services Limited, CDC House, 99-B, Block B, S.M.C.H.S., Main Shahrah-e-Faisal, Karachi – 74400, by the close of business (5:00 p.m.) on Wednesday, October 16, 2019, will be considered in time for the determination of the entitlement of the shareholders to final cash dividend and to attend and vote at the meeting.

2. Appointment of Proxy and Participation in the AGM

A member entitled to attend, speak and vote at the Annual General Meeting is entitled to appoint another person as his/her proxy to attend, speak and vote for his/her behalf. A proxy need not be a member of the Company. A proxy shall also have the right to demand and join in

NOTICE OF ANNUAL GENERAL MEETING

demanding a poll and vote on a poll.

The instrument appointing proxy, together with the power of attorney or other authority under which it is signed, as the case may be, or a notarially certified copy of the power or authority, must be deposited at the Registered Office of the Company at least 48 hours before the time of the meeting. In case of corporate entity, the Board of Directors' resolution / power of attorney with specimen signature shall be submitted (unless it has been provided earlier) along with proxy form to the Company. Form of Proxy is enclosed in English and Urdu language.

Beneficial owners of the physical shares and the shares deposited with the Central Depository Company of Pakistan Ltd. (CDC) and / or their proxies are required to produce their **original Computerized National Identity Card (CNIC) or Passport for identification purpose at the time of attending the meeting.**

3. Notice of Submission of Valid CNIC Copies (Mandatory)

SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed companies to issue dividend warrant only crossed as "A/c Payee only" which should bear the Computerized National Identity Card (CNIC) of the registered member or authorized person. Moreover, pursuant to the Companies (Distribution of Dividends) Regulations, 2017, CNIC numbers of shareholders are mandatorily required to be mentioned on Tax/Zakat/dividend certificate.

Members, who have not yet submitted attested photocopy of their valid CNIC, are requested to submit the same along with folio number, at the earliest, directly to the Company's Share Registrar.

4. Payment of Cash Dividend Electronically (Mandatory)

Under section 242 of Companies Act, 2017 (the Act) and the Companies (Distribution of Dividends) Regulations, 2017, every listed company is required to pay dividend, if any, to their members compulsorily through electronic mode by directly crediting the same in their bank account provided by them. The Company shall be bound to withhold dividend of those members who do not provide their bank details. Members are required to provide to the Company's Share Registrar, particulars relating to name, folio number, bank account number, title of account and complete mailing address of the bank. CDC account holders should submit their request directly to their broker (participant)/CDC. A Dividend Mandate Form is available at the Registered Office of the Company and the same are also placed on the Company's website.

5. Deduction of Withholding Tax on the Amount of Dividend under Section 150 the Income Tax Ordinance, 2001 (Mandatory)

(i) Pursuant to the provisions of the Finance Act 2019, effective July 1, 2019, the rates of deduction of income tax from dividend payments under the Income Tax Ordinance have been revised as follows:

- a) Rate of tax deduction for persons appearing in the Active Tax Payers List: 15 per cent
- b) Rate of tax deduction for persons not appearing in the Active Tax Payers List: 30 per cent

The tax deduction on the amount of cash dividend @ 15 per cent shall be made for the payment of dividend to shareholders whose names are entered in the Active Tax Payers List provided on the website of FBR, before close of business hour (5:00 p.m.) on Wednesday, October 16, 2019 otherwise tax on the cash dividend will be deducted @ 30 per cent instead of 15 per cent. Active Tax Payers List is available at Federal Board of Revenue's (FBR) website: <http://www.fbr.gov.pk>

NOTICE OF ANNUAL GENERAL MEETING

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), withholding tax will be determined separately on 'Filer/Non-Filer' status of Principal shareholder as well as joint-holder(s) based on their shareholding proportions, in case of joint accounts.

The required information must reach our Share Registrar by the close of business (5:00 p.m) on Wednesday, October 16, 2019; otherwise it will be assumed that the shares are equally held by Principal shareholder and Joint Holder(s).

In this regard all shareholders who hold shares jointly are requested to provide shareholding proportions of Principal shareholder and Joint-holder(s) in respect of shares held by them to our Share Registrar, in writing as follows:

Folio/CDC A/c No.	Total number of shares	Principal Shareholders		Joint Holder (s)	
		Name and CNIC No.	Shareholding Proportion (No. of Shares)	Name and CNIC No.	Shareholding Proportion (No. of Shares)

(iii) The corporate shareholders having CDC accounts are required to have their National Tax Number (NTN) updated with their respective participants, whereas corporate physical shareholders should send a copy of their NTN certificate to the Company or Share Registrar. The shareholders while sending NTN or NTN certificates, as the case may be, must quote Company name and their respective folio numbers.

For any query/problem/information, the investors may contact the Company and/or the Share Registrar at the following phone Numbers, email addresses:

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

UAN: 11-11-622-24 email: info@mcbah.com

Share Registrar: **CDC Share Registrar Services Limited**

Tel #: 0800-23275 email: info@cdcsrsl.com

6. Change in Members' Addresses

Members are requested to immediately notify any change in their address to the Share Registrar of the Company.

7. Unclaimed Dividend

Shareholders, who by any reason, could not claim their dividend, if any, are advised to contact our Share Registrar to collect / enquire about their unclaimed dividend, if any. In compliance with Section 244 of the Companies Act, 2017, after having completed the stipulated procedure, all such dividend outstanding for a period of 3 years or more from the date due and payable shall be deposited to the Federal Government in case of unclaimed dividend.

8. Placement of Audited Financial Statements on the Website

The financial statements for the year ended June 30, 2019 and reports have been placed on the Company's website: www.mcbah.com.

9. Circulation of Annual Audited Financial Statements and Notice of AGM through emails

In terms of Section 223(7) of the Companies Act, 2017, the Company is allowed to send financial statements and reports to its members electronically. Moreover, pursuant to S.R.O.

NOTICE OF ANNUAL GENERAL MEETING

787(l)/2014 dated September 8, 2014, issued by the SECP, companies are permitted to circulate Annual Audited Financial Statements along with Notice of Annual General Meeting to its members through e-mail who opt for purpose.

Shareholders who wish to receive annual reports and notice of general meetings through e-mails are requested to provide, through a Consent Form, available at the Company's website: www.mcbah.com, duly signed by them, their particulars i.e. Name, Folio / CDC A/C No., email address, contact number, CNIC number or valid passport (in case of foreign shareholder). Shareholders are also requested to notify immediately any change in their email address to the Share Registrar of the Company. It will be the responsibility of members to intimate any change in their valid registered email address to the Company in timely manner.

10. Video-link Facility

If the members holding 10 per cent of the total paid up capital or such other percentage of the paid up capital as may be specified by the Commission, are resident in any other city, the Company shall provide the facility of video-link to such members for attending Annual General Meeting of the Company, if so required by such members in writing to the Company at least seven days (7) before the date of the meeting.

Consent for Video-link Facility

I/We, of being a member of **MCB-Arif Habib Savings & Investments Limited** holder of Ordinary Share(s) as per Register Folio/CDC Participant ID & Sub-Account/Investor Account No. _____ hereby opt for participation in the Annual General Meeting to be held on October 24, 2019 or any adjourned meeting through video-link facility at _____ (Please insert name of the City).

Signature of member

اطلاع برائے سالانہ اجلاس عام

مقررہ عمل پورا کرنے کے بعد وفاقی حکومت کے یہاں جمع کرا دیا جائے گا۔

۸۔ آڈٹ شدہ مالیاتی گوشواروں کی ویب سائٹ پر دستیابی

30 جون 2019ء کو اختتام پذیر ہونے والے سال کے آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ www.mcba.com پر دستیاب کر دیئے گئے ہیں۔

۹۔ سالانہ آڈٹ شدہ مالیاتی گوشواروں کی بذریعہ ای میل گردش

کمپنیز ایکٹ 2017ء کے سیکشن (7) 223 کے مطابق کمپنی کو اپنے ارکان کو مالیاتی گوشوارے اور رپورٹس الیکٹرانک ذریعے سے ارسال کرنے کی اجازت ہے۔ مزید برآں، SECP کے جاری کردہ SRO 787(1)/2014 بتاریخ 8 ستمبر 2014 کے مطابق کمپنی اپنے اُن ارکان میں سالانہ آڈٹ شدہ مالیاتی گوشوارے بمع سالانہ عمومی اجلاس کی اطلاع بذریعہ ای میل گردش کرا سکتی ہے جو اس ذریعے کا انتخاب کریں۔ جو حصص یافتگان سالانہ رپورٹس اور عمومی اجلاس کی اطلاع بذریعہ ای میل حاصل کرنا چاہتے ہیں اُن سے گزارش ہے کہ کمپنی کی ویب سائٹ www.mcba.com پر دستیاب کنسنیٹ فارم کے ذریعے اپنے کوائف یعنی نام، فوئیو / اسی ڈی سی اکاؤنٹ نمبر، ای میل ایڈرس، رابطہ نمبر، CNIC نمبر یا (غیر ملکی شیئر ہولڈر کی صورت میں) پاسپورٹ فراہم کریں۔ حصص یافتگان سے گزارش ہے کہ اپنے ای میل ایڈرس میں تبدیلی سے کمپنی کے شیئر رجسٹرار کو فوری طور پر مطلع کریں۔ درست رجسٹر ڈی ای میل ایڈرس میں کسی بھی تبدیلی سے کمپنی کو بروقت مطلع کرنا ارکان کی ذمہ داری ہوگی۔

۱۰۔ ویڈیولنک کی سہولت

اگر گل ادا شدہ کمپیٹل کے دس فیصد، یا ایس ای سی پی کی طرف سے متعین کردہ کوئی اور شرح، کے حامل ارکان کسی اور شہر میں مقیم ہوں تو وہ عمومی سالانہ اجلاس میں شرکت کے لئے اجلاس کی تاریخ سے کم از کم سات (7) دن پہلے ویڈیو لنک سہولت کا تحریری مطالبہ کر سکتے ہیں اور کمپنی اس کو پورا کرنے کی پابند ہوگی۔

ویڈیو لنک سہولت کی رضامندی

میں / ہم، ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ کے رکن، عام شیئر (ز) بمطابق رجسٹر فوئیو / اسی ڈی سی پارٹیسپنٹ ID اور سب-اکاؤنٹ / انویسٹر اکاؤنٹ نمبر _____ کے / کا حامل، 24 اکتوبر 2019ء کو ہونے والے عمومی سالانہ اجلاس یا کسی ملتی شدہ میٹنگ میں ویڈیو لنک سہولت کے ذریعے _____ (شہر کا نام) میں شریک ہونا چاہتا ہوں / چاہتے ہیں۔

رکن کے دستخط

اطلاع برائے سالانہ اجلاس عام

’فائلر / نان فائلر‘ ہونے پر، اور اس کے ساتھ ساتھ مشترکہ اکاؤنٹس کی صورت میں حصص یافتگی کے تناسب کی بنیاد پر، علیحدہ علیحدہ نکالا جائے گا۔ مطلوبہ معلومات ہمارے شیئر رجسٹرار تک بدھ، 16 اکتوبر 2019ء کو اوقات کار کے اختتام (شام 5 بجے) سے قبل پہنچ جانی چاہیے ورنہ یہ فرض کر لیا جائے گا کہ شیئر اصل اور مشترکہ حصص یافتگان کے درمیان مساوی تقسیم ہیں۔ اس ضمن میں تمام مشترکہ حصص یافتگان سے گزارش کی جاتی ہے کہ اصل شیئر ہولڈر اور مشترکہ شیئر ہولڈر (ز) کے حصص یافتگی کے تناسب ہمارے شیئر رجسٹرار کو تحریری طور پر مندرجہ ذیل انداز میں فراہم کر دیں:

مشترکہ حصص یافتگان		پرنسپل شیئر ہولڈرز		شیئرز کی کل تعداد	فولیو / سی ڈی سی / اکاؤنٹ نمبر
نام اور CNIC نمبر	حصص یافتگی کا تناسب (تعداد)	نام اور CNIC نمبر	حصص یافتگی کا تناسب (شیئرز کی تعداد)		
نام اور CNIC نمبر	حصص یافتگی کا تناسب (تعداد)	نام اور CNIC نمبر	حصص یافتگی کا تناسب (شیئرز کی تعداد)		

(iii) سی ڈی سی اکاؤنٹس کے حامل کارپوریٹ حصص یافتگان سے گزارش ہے کہ اپنے پیشنہ ٹیکس نمبر (NTN) اپنے پارٹنرسپنٹس کے یہاں اپ ڈیٹ کرالیں، جبکہ کارپوریٹ فزیکل حصص یافتگان اپنے NTN سرٹیفکیٹ کی نقل کمپنی یا شیئر رجسٹرار کو فراہم کر دیں۔ دونوں صورتوں میں کمپنی کا نام اور اپنا فولیو نمبر ضرور درج کریں۔

کسی بھی سوال / مسئلے / معلومات کے لیے کمپنی اور / یا شیئر رجسٹرار سے رابطہ کریں:

کمپنی: ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ

UAN: 11-11-622-24

ای میل: info@mcbah.com

شیئر رجسٹرار: سی ڈی سی شیئر رجسٹرار سروسز لمیٹڈ

فون: 0800-23275

ای میل: info@cdcsrsl.com

۶۔ ارکان کے پتے میں تبدیلی

ارکان سے گزارش ہے کہ اپنے پتے میں کسی تبدیلی سے کمپنی کے شیئر رجسٹرار کو فوری طور پر مطلع کریں تاکہ ڈیویڈنڈ وارنٹس درست پتے پر روانہ کیے جا سکیں۔

۷۔ غیر دعویٰ شدہ ڈیویڈنڈ

جو حصص یافتگان کسی بھی وجہ سے اپنا ڈیویڈنڈ نہیں لے سکے ہیں ان سے گزارش ہے کہ ہمارے شیئر رجسٹرار سے رابطہ کر کے اپنا ڈیویڈنڈ (اگر کوئی ہے تو) لے جائیں یا اس کے بارے میں معلومات کرا لیں۔ کمپنی ایکٹ 2017ء کے سیکشن 244 کی تعمیل میں 3 سال کے بعد غیر دعویٰ شدہ ڈیویڈنڈ

اطلاع برائے سالانہ اجلاس عام

پراکسی کی تقرری کی دستاویز بمع پاور آف اٹارنی یا کوئی اور اجازت نامہ جس کے تحت اس پر دستخط کیے گئے ہیں، یا پاور آف اٹارنی یا اجازت نامے کی نوٹری پبلک سے مصدقہ نقل کمپنی کے رجسٹرڈ دفتر میں اجلاس سے کم از کم 48 گھنٹوں قبل جمع کرائی جائے۔ کارپوریٹ ادارے کی صورت میں پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد / پاور آف اٹارنی بمع دستخط کا نمونہ بھی کمپنی میں جمع کرایا جائے (اگر پہلے فراہم نہ کیا گیا ہو تو)۔ پراکسی فارم انگریزی اور اردو زبان میں ملحق ہے۔

ظاہری حصص اور سینٹرل ڈپازٹری کمپنی آف پاکستان لمیٹڈ (سی ڈی سی) میں جمع کرائے گئے حصص کے مستفید مالکان اور ایان کے پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) یا پاسپورٹ دکھانا ضروری ہے۔

۳۔ درست CNIC کی نقول کی فراہمی (لازمی) کی اطلاع

سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان نے اپنے SRO نمبر 831(1)/2012 بتاریخ 05 جولائی 2012ء میں کمپنیوں کو ہدایت جاری کی کہ ڈیویڈنڈ وارنٹ صرف "A/c Payee only" کے طور پر جاری کرے جس پر رجسٹرڈ رکن یا مجاز شخص کا کمپیوٹرائزڈ قومی شناختی کارڈ (CNIC) نمبر درج ہو۔ علاوہ ازیں، کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈز) ریگولیشنز 2017ء کی تعمیل میں ٹیکس از کوٹہ ڈیویڈنڈ سرٹیفکیٹس پر حصص یافتگان کے CNIC نمبر لازمی طور پر درج ہونے چاہئیں۔

جن ارکان نے تاحال اپنے درست CNIC کی مصدقہ نقل جمع نہیں کرائی ہے ان سے گزارش ہے کہ براہ راست کمپنی کے شیئر رجسٹرار کے یہاں جلد از جلد جمع کرا دیں (بشمول فولیو نمبر)۔

۴۔ نقد ڈیویڈنڈ کی الیکٹرانک ادائیگی (لازمی)

کمپنیز ایکٹ 2017ء کے سیکشن 242 اور، کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈز) ریگولیشنز 2017ء کے تحت ہر لسٹڈ کمپنی پر لازم ہے کہ وہ اپنے ارکان کو ڈیویڈنڈ دینے کے لیے صرف الیکٹرانک ذریعے سے ان کے فراہم کردہ بینک اکاؤنٹ میں براہ راست جمع کرائے۔ کمپنی پر لازم ہے کہ جو ارکان اپنے بینک کی تفصیلات فراہم نہ کریں ان کا ڈیویڈنڈ روک لے۔ چنانچہ ارکان کو ہدایت کی جاتی ہے کہ کمپنی کے شیئر رجسٹرار کو مندرجہ ذیل کوائف فراہم کر دیں: نام، فولیو نمبر، بینک اکاؤنٹ نمبر، اکاؤنٹ کا ٹائٹل، بینک کا مکمل ڈاک پتہ۔ سی ڈی سی اکاؤنٹ حاملین اپنی درخواست براہ راست اپنے بروکر (پارٹسپنڈ) / سی ڈی سی کے یہاں جمع کرا دیں۔ ڈیویڈنڈ مینڈیٹ فارم کمپنی کے رجسٹرڈ دفتر میں بھی دستیاب ہے اور کمپنی کی ویب سائٹ پر بھی موجود ہے۔

۵۔ اگم ٹیکس آرڈیننس 2001ء کے سیکشن 150 کے تحت ڈیویڈنڈ پر ود ہولڈنگ ٹیکس کی کٹوتی (لازمی)

(i) یکم جولائی 2019ء سے مؤثر فنانس ایکٹ 2019ء کی شرائط کی تعمیل میں ڈیویڈنڈ میں سے اگم ٹیکس کی کٹوتی کی شرحوں میں مندرجہ ذیل تبدیلیاں کی گئی ہیں:

(a) متحرک ٹیکس دہندگان کی فہرست میں آنے والے افراد کے لیے ٹیکس کی شرح: 15 فیصد

(b) متحرک ٹیکس دہندگان کی فہرست میں نہ آنے والے افراد کے لیے ٹیکس کی شرح: 30 فیصد

نقد ڈیویڈنڈ پر 15 فیصد ٹیکس کٹوتی کا اطلاق ان حصص یافتگان پر ہوگا جن کے نام بدھ، 16 اکتوبر 2019ء کو اوقات کار کے اختتام (شام 5 بجے) سے قبل فیڈرل بورڈ آف ریونیو کی ویب سائٹ پر متحرک ٹیکس دہندگان کی فہرست میں شامل ہوں گے، ورنہ نقد ڈیویڈنڈ پر ٹیکس 15 فیصد کی بجائے 30 فیصد ہوگا۔ متحرک ٹیکس دہندگان کی فہرست فیڈرل بورڈ آف ریونیو کی ویب سائٹ <http://www.fbr.gov.pk> پر دستیاب ہے۔

(ii) مزید براں، فیڈرل بورڈ آف ریونیو کی جانب سے موصول شدہ وضاحت کے مطابق ود ہولڈنگ ٹیکس اصل شیئر ہولڈر اور مشتکہ ہولڈر (ز) کے

اطلاع برائے سالانہ اجلاس عام

اطلاع دی جاتی ہے کہ ایم سی بی عارف حبیب سیونگزی اینڈ انویسٹمنٹس لمیٹڈ کا انیسواں (19th) سالانہ عمومی اجلاس 24 اکتوبر 2019ء کو صبح 11:45 پر سیفرا ہال، رمادا کریک، ذوالفقار اسٹریٹ 1، ڈی ایچ اے فیز VIII کراچی، پاکستان میں منعقد ہوگا جس میں مندرجہ ذیل امور پر غور و خوض کیا جائے گا:

عمومی کاروبار:

- ۱۔ سابقہ سالانہ عمومی اجلاس منعقدہ 26 اکتوبر 2018ء کے اہم نکات کی تصدیق
- ۲۔ 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لیے کمپنی کے مالیاتی گوشواروں، ان پر آڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ کی وصولی، ان پر غور و بحث اور ان کو اختیار کرنا
- ۳۔ ڈائریکٹرز کی سفارش کے مطابق 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لیے حتمی نقد ڈیویڈنڈ 13.5 فیصد پر، یعنی -/10 روپے والے عمومی شیئر پر 1.35 روپے فی شیئر کا اعلان اور منظوری
- ۴۔ 30 جون 2020ء کو اختتام پذیر ہونے والے سال کے لیے کمپنی کے خارجی آڈیٹرز کی تقرری اور ان کے معاوضے کا تعین؛ بورڈ آف ڈائریکٹرز نے آڈٹ کمیٹی کی سفارش پر 30 جون 2020ء کو اختتام پذیر ہونے والے سال کے لیے میسرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس بطور کمپنی کے خارجی آڈیٹرز تقرری کی پیشکش کی ہے۔
- ۵۔ چیئرمین کی اجازت سے کوئی اور معاملہ زیر غور لانا

بحکم بورڈ

A. Padar

عامر قادر

کمپنی سیکرٹری

30 ستمبر 2019ء

کراچی

اہم نکات:

- ۱۔ بک بند رہنے کی اطلاع
کمپنی کی شیئر ٹرانسفر بکس جمعرات، 17 اکتوبر 2019ء تا جمعرات، 24 اکتوبر 2019ء (بشمول دونوں دن) بند رہیں گی۔ بدھ، 16 اکتوبر 2019ء کو اوقات کار کے اختتام (شام 5 بجے) تک ہمارے شیئر رجسٹرار میسرز سی ڈی سی شیئر رجسٹرار سرومزمز لمیٹڈ کے دفتر بمقام سی ڈی سی ہاؤس، 99-B، بلاک بی، ایس ایم سی ایچ ایس، مین شاہراہ فیصل، کراچی - 74400 میں موصول ہونے والے ٹرانسفر آرڈرز کو بروقت مانا جائے گا اور ٹرانسفر کرنے والوں کو حتمی نقد ڈیویڈنڈ حاصل کرنے اور سالانہ عمومی اجلاس میں شرکت اور ووٹ کی اجازت ہوگی۔

۲۔ پراکسی کی تقرری اور سالانہ عمومی اجلاس میں شرکت

جس رکن کو سالانہ عمومی اجلاس میں شرکت، کلام اور ووٹ کا حق حاصل ہے اُس کو کسی اور شخص کو اپنا پراکسی مقرر کر کے اُسے اپنی جانب سے شرکت، کلام اور ووٹ کا حق تفویض کرنے کا بھی حق حاصل ہے۔ پراکسی کا کمپنی کا رکن ہونا ضروری نہیں ہے۔ پراکسی کو رائے شماری کا مطالبہ کرنے اور ایسے مطالبے کا حصہ بننے اور رائے شماری میں ووٹ دینے کا حق بھی ہوتا ہے۔

CHAIRMAN'S REVIEW REPORT

Dear Shareholders

I am pleased to present this report to the shareholders of MCB-Arif Habib Savings and Investments Limited on the overall performance of the Board and its effectiveness in achieving the Company's objectives.

The Audited Financial Statements for the year reveals following about the operational performance of the Company, when compared with last year:

	<u>June 30, 2019</u>	<u>June 30, 2018</u>
	-----Amount in Rupees-----	
Management Fee / Investment Advisory Fee	730,643,339	701,640,243
Profit before taxation	85,165,705	196,573,573
Profit after taxation	24,235,396	124,192,903
Earnings per share (EPS)	0.34	1.72

The Board's report has delved on the details of the economy and I shall therefore refrain from repeating that information but focus on the broader issues.

Our Country is going through a unique phase as the economic conditions remain tough domestically, the global environment is also changing course. US has challenged the global trade dynamics and determined to significantly impact the global trade in favor of domestic economy. Brexit has already started to affect the trade and international linkages and continue to reshape Britain's economy and European Union. There have been wider concerns of global slowdown in particular the pace of emerging economies albeit, the risks of systematic shock at the stage look less likely. Renewables have started to alter the global commodities and challenging the convention fuel sources and their price trajectory.

Significant reforms that are underway in domestic monetary system and economic policies both under IMF program and FATF proceedings imply another challenge and even more pressure in near term on local businesses to adapt to the stringent requirements. Focus on economy is already visible in Government policies though several key areas still pose challenge including Energy, Investment for Import substitution and Targeted Export Sector Growth while simultaneously managing the fiscal challenges. Indeed, there is no easy and straight forward path to recovery, but start of the journey itself is a silver lining. Support from China, Saudia, UAE and other commitments Pakistan has received are significant and require perseverance and longer term focus to steer us toward sustainability. While Asset Management sector also striving hard to improve documentation and meeting the higher standards of due diligence in this environment, we believe, developments will benefit the sector as more compliant, document economy bodes well for integrated institutions. Challenges in economy have marred the performance of Capital Markets; however, presents an opportunity of decade to invest cheap in companies that are resilient and stand to deliver stronger on recovery. Higher short term interest rates increase propensity to save and our efforts to reach wider public have a unique edge of cost efficient digital services. We continue to enjoy strong equity base and a very talented human resource along with technology edge to steer stronger going forward.

Digital transformation has simplified the daily life of every individual. The significant development in technology has allowed people to manage their money at their fingertips and your Company is at the helm of such development with the launch of the **iSave** - the online platform to manage savings. Moreover, with the introduction of the **PayPak Debit Card** your Company aims at keeping its customers ahead of the curve. The Card offers not only seamless transactions, easy access to cash and one's investment account, it also eliminates the hassle of cash payments. The **iSave**, combined with the

CHAIRMAN'S REVIEW REPORT

introduction of the Debit Card, exemplifies what every company in the financial services industry strives towards who wish to stay competitive through innovation. Allowing the investors to spend, save and otherwise manage their money all at the same time, **iSave** has established your Company as a pioneer in incorporating fintech and enables your Company in providing the most efficient services to the investors. The introduction of the **iSave** and the Debit Card is also an evidence of your Company's commitment towards consistent innovation intended to improve the overall savings experience of the investors of the Funds under your Company's management.

Having been elected in February, 2017, the present Board remains committed to creating value to the shareholders and investors by engaging in Company's governance with an oversight of Company's strategy and operations. A casual vacancy occurred on the Board by the resignation of Dr. Syed Salman Ali Shah which has been filled by the Directors and Syed Savail Meekal Hussain (subject to SECP approval) has been appointed who shall serve for the remainder of the term. The composition of the Board reflects diversified backgrounds and rich experiences in the fields of business, finance, banking and regulations. During the year, a need was felt at the Board level for Risk Management Committee of the Board which was constituted on September 14, 2018 to carry out the assessment of the risk management procedures of the Company. The Committee is being headed by an independent director and includes two non-executive directors as members. The existing Board committees also remained active and met on several occasions during the year. The Human Resource and Remuneration Committee recommends and evaluates management performance against key performance indicators and objectives agreed by the Board while the Audit Committee continues to ensure that the governance structure is fully compliant whilst monitoring high standards of ethics, control procedures and risks management associated with the business as identified by the Board.

During the year, a total of nineteen (19) meetings of the Board and the Committees of the Board were held which comprised of eight (8) meetings of the Board of Directors, nine (9) meetings of the Audit Committee and one (1) meeting each of the Human Resource and Remuneration Committee and the Risk Management Committee. I wish to record my appreciation of the Board Members for the active participation and continuing guidance provided to the Management.

I would like to express the Company's gratitude for the resolute efforts made by Dr. Syed Salman Ali Shah for the betterment of the Company and its employees, and his invaluable contributions as a driven and dedicated member of the Board and Chairman of the Human Resource and Remuneration Committee. I would also like to welcome Syed Savail Meekal Hussain on the Board of the Company.

I would also like to thank the employees of the Company for their perseverance and exhibiting exceptional resolve, even during the recent slowdown in the Industry. They have kept up their spirits and continue to improve in their respective areas and in the Company as a whole.

Finally, on behalf of the Board and myself personally, I would wish to place on record my appreciation for the support received by the Company from the Securities and Exchange Commission of Pakistan and other Regulatory Authorities including the Mutual Funds Association of Pakistan, the unit holders who entrusted us with their savings and our shareholders for their continued support and confidence.



Mian Mohammad Mansha
Chairman – Board of Directors
MCB-Arif Habib Savings and Investments Limited

DIRECTORS' REPORT

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 year ended June 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.

THE BUSINESS ENVIRONMENT

Economy & Money Market Review

Pakistan's economy inherited myriad of challenges entering into Fiscal Year 2019 (FY19), particularly a weak balance of payment and fiscal situation. The macroeconomic imbalances were coped with vigilant policy actions from Central Bank which resultantly took its toll on the economic growth. Gross Domestic Product (GDP) growth as per the preliminary estimates slowed down to 3.3 per cent compared to 5.2 per cent witnessed during the preceding year. All the three major sectors namely Agriculture, Industrial, and Services witnessed a slowdown posting growth of 0.9 per cent, 1.4 per cent and 4.7 percent respectively. Agricultural growth faltered as growth in major crops receded, evident from the decline in production of sugarcane, cotton and rice which fell by 19.4 per cent, 17.5 per cent and 3.3 per cent respectively. Industrial growth also weakened as large scale manufacturing (LSM) could not bear the brunt of contractionary policies pursued by Central Bank to achieve macroeconomic stabilization. LSM posted a decline of 3.7 per cent as industries dependent on Government spending and imports faced reduced demand. Among the major LSM sectors, automobiles and iron & steel witnessed a demand contraction of 11.7 per cent and 11.2 per cent respectively. Nevertheless, services sector provided some rescue to the economic growth, thanks to finance and insurance (up 5.4 per cent Year on Year [YoY]) and Government Services (up 8.0 per cent YoY). Dollar denominated size of GDP stood at approximately USD 280 billion compared to approximately USD 315 billion in the last year, witnessing a contraction of 11 per cent.

At the onset of year, Pakistan was plagued by one of the biggest balance of payment crisis in its history. While it was facing a current account deficit (CAD) worth of USD 19 billion and external repayments worth USD 9 billion, the crisis was compounded by the fact that foreign exchange reserves of mere USD 10 billion approximately were at hand. Timely policy action by the Central Bank particularly adjusting the currency by 32 per cent during the year helped in arresting the CAD. Real Effective Exchange Rate (REER) dropped from the overvalued territory in June 18 to become undervalued by 10 per cent. Resultantly, the CAD contracted by 32.1 per cent to USD 13.5 billion during the year. While exports growth did not materialize, improvement in CAD was driven from declining imports of non-oil goods and services (down 11.8 per cent YoY) and improved remittances (up 9.7 per cent YoY). Default on loan obligations was also averted after Pakistan was successful in getting material inflows (approximately USD 10 billion) from its friendly allies. Although, narrowing current account deficit along with bilateral flows did provide some breathing space to the balance of payment, State Bank of Pakistan's (SBP) foreign reserves still declined by USD 2.5 billion to USD 7.5 billion due to the gravity of external crisis. At last, Pakistan also signed up for an International Monetary Fund (IMF) program during the month of May'19, putting all uncertainty to an end on the external front. The staff level agreement of USD 6.2 billion was reached for a period of three years.

DIRECTORS' REPORT

The headline inflation as represented by Consumer Price Index (CPI) accelerated to an average of 7.3 per cent in FY19 compared to 3.9 per cent in the last year. Higher utility tariffs particularly a hike in gas prices (up approximately 64 per cent YoY) and increased petroleum prices (up approximately 23 per cent YoY) contributed to the rise in inflation. The Regulator allowed for adjustments in utility tariffs as Government eliminated the subsidies, while petroleum prices were adjusted after PKR depreciated by more than 30 per cent against USD during the year. Similarly, the lagged impact of PKR depreciation resulted in more pronounced inflation in the second half which increased to an average of 8.6 per cent, compared to 6.0 per cent witnessed in the first half of the fiscal year. In order to control inflation and bring stability to the macroeconomic imbalances, the Central Bank continued its monetary tightening and increased the interest rates by 575 basis points (bps) during the course of the year.

Fiscal books of the Government continued to deteriorate, with the fiscal deficit reaching an unprecedented 8.9 per cent of the GDP. Total revenue declined by 6 per cent during the year, marred by a sharp drop in non-tax revenue of 44 per cent during the period. Surplus profitability from SBP collapsed to nearly zero, after Central Bank recorded massive exchange losses due to currency devaluation. Tax collection also remained dismal as YoY collection remained flat, owing to tax exemptions announced in the last budget and a weak economy. On the other hand, total expenditures increased by 11 per cent, despite a 25 per cent cut in development spending. The increase in expenditures was propelled by a surge in current expenditures, particularly as the debt servicing costs escalated by 40 per cent YoY due to increase in interest rates. Government relied on domestic sources to fund its deficit, as financing from external sources (Multilateral agencies) dried up since IMF program was not available during the most part of the year. Within the domestic channel, the Government relied heavily on Central Bank borrowing as nearly 70 per cent of the borrowing out of PKR 3 trillion was funded through SBP.

On the money market side, the yield curve shifted on upward trajectory after record monetary tightening by the Central Bank during the fiscal year. SBP cited rising inflation, twin deficits and declining forex reserves as the prime reasons behind the policy decisions. In the first half of fiscal year, concerns over external front along with unadjusted policy decisions kept market participants at bay from longer tenor instruments. However, by the end of the fiscal year as the policy adjustments were fully in place, market participants drew much comfort which resulted in a massive demand for longer tenor bonds. In fact, the yield curve turned inverted as 10 Year Pakistan Investment Bonds (PIB's) traded at much lower level compare to short term security papers.

During the year, SBP persistently tried to develop the market for floating rate bonds by conducting regular auctions. The Central Bank accepted a cumulative amount of PKR 714 billion at a credit spread of 70-75 bps over base rate (6M T-bill yield). On the other hand, the Government matured PKR 314 billion of Ijara Sukuks causing a dearth of Shariah Compliant avenues. However, to fund the circular debt, SBP introduced Pakistan Energy SUKUK amounting to PKR 200 billion exclusively for Islamic Banks at 80 bps premium over base rate. Nevertheless, liquidity position throughout the period remained comfortable owing to regular Open Market Operations (OMOs) conducted by SBP.

Equities Market Review

The KSE-100 index continued its descent and lost approximately 19.1 per cent during the year. Economic slowdown and a delay in policy actions vitiated the investment atmosphere and resulted in crisis of confidence. Foreign participants reduced their equity exposure for most part of the year amidst uncertainty on external front. Alongside, a weak economic environment and a rise in interest rates resulted in outflow from local equity based mutual funds. Foreigners dumped USD 362 million of equities followed by USD 146 million from mutual funds. The selling was primarily absorbed by

DIRECTORS' REPORT

individuals (approximately USD 166 million), insurance companies (approximately USD 150 million) and Companies (approximately USD 111 million). Trading volumes remained low during the year averaging around 154 million shares representing a decline of approximately 11.5 per cent YoY.

Amongst the major sectors; refineries, oil marketing companies, automobiles and cements were among the laggards losing approximately 57 per cent, 42 per cent, 33 per cent, and 32 per cent respectively. While these sectors bore the brunt of economic slowdown, exchange losses and margin compression added fuel to the fire causing a huge slump in their earnings. On the flip side, commercial banks outperformed the index as they lost only approximately 12 per cent against market fall of approximately 19 per cent. Mid sized quality banks lead the pack as Net Interest Margins' (NIMS) expansion brought in a massive growth in earnings.

KSE-100 stood at a forward Price/Earnings (P/E) ratio of 6.4 times at the end of FY19. It started with a P/E of 9.5 times at the start of year. While the earnings growth of index remained robust at 10 per cent during the last year as the index heavy weights benefitted from the macroeconomic theme (higher interest rates and PKR depreciation); the fall in the index is explained by the massive de-rating owing to the weak appetite for risk assets during the year.

MARKET & ECONOMY - FUTURE OUTLOOK

Policy adjustments by the Central Bank will result in macroeconomic consolidation thus restricting the economic growth in low single digits. IMF forecasts Pakistan GDP growth to slow down to 2.5 percent 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 bank. The beginning for the year has been very promising as CAD for July'19 shrank to USD 600 million approximately, compared to USD 2,000 million approximately seen during the same period of last year. Our forecast at very conservative assumptions is that CAD will settle at 2.7 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 approximately USD 13 billion (up 1.8 times) by the end of the current fiscal year. With PKR aligned to its equilibrium levels (Jun'19 REER at 91) and current account deficit in a sustainable range, PKR should now depreciate nominally based on its historical average.

Inflation is expected to pick up to an average of 11.7 per cent in FY20 compared to 7.3 per cent witnessed during the last year. Multiple reason are attributed for the surge in inflation. Firstly, the Government is aiming to recover the full cost of utilities resulting in the price adjustment of utilities. Secondly, tax exemptions provided to multiple industries have been withdrawn causing a hike in prices. Finally, we have assumed PKR to be north of 170 against USD by the end of fiscal year, while crude oil is assumed at USD 70/BBL which will keep the overall CPI high. Nevertheless, we expect core inflation as represented by Non Food Non Energy (NFNE) to average below 10.0 per cent for the year. We deem that current real interest rate is sufficient to cater for the expected inflation, therefore, in general we do not expect any further increase in interest rates. However, more than expected inflation and any deterioration in fiscal accounts can result in modest tightening in the monetary policy.

DIRECTORS' REPORT

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, however, it is 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 300-400 billion approximately. As a result, the axe can fall on the development spending.

In broader terms, we believe, the last two years market performance (down approx. 45 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.

Our overall strategy is still tilted towards defensive sectors (E&P's, Power, Fertilizers) while sector which will benefit from changing dynamics on macro front such as rising interest rates (commercial banks) are also 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 & information technology (IT). Despite being negative on cyclicals, we believe there are 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 reduced by 9.1 per cent to approximately PKR 513 billion at the end of FY19. Money market funds garnered the most attention after interest rates were increased by 575 bps during the year. Total money market funds grew by 22 per cent YoY to PKR 160 billion. Within the money market sphere, Shariah Compliant Funds dominated as they grew by approximately 220 per cent to PKR 29 billion. With a weak macroeconomic environment, the appetite for risk assets continued to fade away. Equity and related funds declined by 26 per cent from PKR 332 billion to PKR 247 billion by the end of the year. While most of the decline can be attributed to a market decline (down 19 per cent YoY), nevertheless, redemptions and conversions 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 48 per cent, followed by Money Market funds with a share of 31 per cent and Income fund shaving a share of 20 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.

DIRECTORS' REPORT

COMPANY'S PERFORMANCE REVIEW

During the year, the core revenues of the Company increased by about 4 per cent and compared to last year, the Company recorded a gross management / investment advisory fee of Rs. 730 million from Rs. 702 million. However, valuation losses and recording of non-recurring items due to adoption of Accounting Standards or due to strategic business decisions, majorly discussed below, the Company earned a profit before tax of Rs. 85 million. The net profit after tax for the year amounts to Rs. 24 million, as compared to Rs. 124 million for the corresponding year ended June 30, 2018. With increased interest rates and expected better performance of the Stock Exchange in this year, we expect the assets under management to grow further going forward contributing to the revenue growth and profitability.

The earnings per share of current financial year ended June 30, 2019 is Re. 0.34 as compared to Rs. 1.72 per share in the previous financial year ended June 30, 2018.

The overall investments remained almost equally split in Equity and Fixed Income Funds. Returns on Fixed Income portion remained stable at close to 9.9 per cent (gross of management fee); however, negative return of 14.8 per cent on equity portion resulted in negative return for the Financial Year 2018-2019. During the financial year ended June 30, 2019, due to uncertainty in politics, the equity market has declined. Therefore, the management has made a loss of Rs. 67 million from investments.

We expect forward returns in excess of 15 per cent (dividend yield + nominal earnings growth) even without any re-rating, which perhaps cannot be underplayed given historic low valuations. Since the management is hopeful that the market would improve in the current year, our long term view continues to remain positive.

Moreover, with respect to our investment in Income Funds and Money Market Funds, the management believes that with higher interest rates, our fixed income funds portfolio would likely yield above 12 per cent.

Further, the Company is shifting or is in the process of shifting the Head Office and some of its branches which has resulted in recognition of losses during the current financial year.

Furthermore, 'IFRS 9 – Financial Instruments' which replaces IAS 39, has brought in certain fundamental changes in the accounting for financial assets. The adoption of the IFRS 9, from the current financial year, has resulted in routing of unrealized equity loss suffered by the Company on investment in pension funds through 'Statement of Profit or Loss' which was earlier classified in the 'Statement of Comprehensive Income'. Had the IFRS 9 not been adopted, the Income Statement would have been higher by 33.8 million whereas, Other Comprehensive Income would have been lower by same amount and the EPS would have increased by Re. 0.47.

The Board has proposed a final dividend of 13.5 per cent (Rs. 1.35 per share) for the year ended June 30, 2019 as compared to 17.5 per cent (Rs. 1.75 per share) for the year ended June 30, 2018.

The Board of Directors of the Company has an overall responsibility to ensure that internal financial controls system of the Company is adequate and is operating effectively.

The value of investment of employees in pension funds is Rs. 40,186,537 as per the audited financial statements for the year ended June 30, 2019 (Rs. 27,222,357 for the year ended June 30, 2018).

DIRECTORS' REPORT

PRINCIPAL RISKS AND UNCERTAINTIES

Assets under management (AUM) which is the life blood of asset management industry has shown mediocre growth in the past. This relates to poor savings trend in the society on one hand and averseness of general public from documentation on the other. Corporate, being a financially educated sector, is more inclined towards mutual fund investments as compared to general public. To attract new clients in this highly competitive Industry, Asset Management Companies (AMCs) have introduced online solutions. All these solutions have substantial costs to develop and maintain while the demand for delivery of superior returns is not allowing increment in management fee. Thus, this continues to put pressure on margins of Asset Management Companies (AMCs). To cover up expenses and being profitable, the only remedy is high volume of investments. To make up for the slow growth in the Industry, Asset Management Companies (AMCs) are striving hard on tapping discretionary portfolio management accounts.

Government has become cautious on issues relating to Know Your Customer (KYC) requirements to cope up Anti Money Laundering (AML) and Combating the Financing of Terrorism (CFT). This puts high responsibility on Asset Management Companies (AMCs) to carefully perform Customer Due Diligence (CDD) as breach of these Regulations might attract heavy penalties. This increases regulatory risk for Asset Management Companies (AMCs) and MCBAH is committed to ensuring compliance of these very demanding but necessary regulations.

The Company has successfully launched the **PayPak Debit Card**. By this MCBAH has once again became the first AMC of Pakistan to have its own Debit card. With the launch of Debit Card, the Company may be prone to online frauds. However, since this Card can only be used within Pakistan and cannot be used for online transactions, the risk has been substantially reduced. Moreover, Plastic Card Insurance has also been obtained to minimize the Company's exposure.

Pakistan has been facing political turmoil, corruption and terrorism for quite some time which has taken heavy toll on the economic growth of Country. The economic instability on the back of these factors and adhoc policies have made the environment murky, which is reflected in burgeoning local and foreign debt, big current account deficit, declining FDI, depleting reserves higher interest rates and currency devaluation. This bleak economic environment which deter both foreign and local investors for accepting high risk and persuade them to take shelter in safe heavens could also hamper growth of asset management business.

Further; there have not occurred any significant changes during the financial year concerning the nature of the business of the Company or any other company in which the Company has interest.

CORPORATE SOCIAL RESPONSIBILITY AND IMPACT ON ENVIRONMENT

During the year under review, there were couple of small Corporate Social Responsibility (CSR) activities undertaken by the Company at '*Dar-us-Sukoon*' and '*Ra'na Liaquat Craftsmen Colony*' to celebrate the International Children's Day and International Women's Day respectively. Further, the Company believes that its business has no adverse impact on the environment and with the increased use of technology and introduction of online portal - **iSave**, the Company is focusing on reduction of the use of paper.

ENTITY RATING AND ASSET MANAGER RATING

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "**AA-**", to the Company. The Ratings of the Collective Investment Schemes under management of the Company are as under:

DIRECTORS' REPORT

	As at June 30, 2019	As at June 30, 2018	
	-----Stability rating-----		Rating agency
Pakistan Cash Management Fund	AA + (f)	AA + (f)	PACRA
Pakistan Income Fund	A + (f)	A + (f)	PACRA
MCB Pakistan Sovereign Fund	AA- (f)	AA- (f)	PACRA
Pakistan Income Enhancement Fund	A + (f)	A + (f)	PACRA
MCB DCF Income Fund	AA- (f)	A + (f)	PACRA
MCB Cash Management Optimizer	AA + (f)	AA + (f)	PACRA
Alhamra Islamic Income Fund	AA - (f)	AA - (f)	PACRA

The Mutual Funds Association of Pakistan (MUFAP) is executing the Performance of the Mutual Funds on the basis of Mutual Funds' returns. MCB AH has assumed the performance ranking of MUFAP for its equity based Collective Investments Schemes.

HOLDING COMPANY

MCB Bank Limited, being the parent company of MCB-Arif Savings and Investments Limited, holds 51.33 per cent of the outstanding ordinary shares of the Company.

CORPORATE GOVERNANCE

As at June 30, 2019, seven (7) members (Male: 7 and Female: 0) were on the Board of Directors of the Company, the details of which are as under:

Sr. No.	Name	Status	Membership in other Board Committees
1.	Mian Muhammad Mansha	Non-Executive Director	None
2.	Mr. Nasim Beg	Non-Executive Director	(i) Audit Committee, (ii) Risk Management Committee; and (iii) HR&R* Committee
3.	Mr. Ahmed Jahangir	Non-Executive Director	(i) Audit Committee, (ii) Risk Management Committee; and (iii) HR&R* Committee
4.	Mr. Samad A. Habib	Non-Executive Director	None
5.	Mr. Haroun Rashid	Independent Director	(i) Audit Committee (Chairman), and (ii) HR&R* Committee
6.	Mr. Mirza Qamar Beg	Independent Director	(i) Audit Committee, (ii) Risk Management Committee (Chairman); and (iii) HR&R* Committee (Chairman).
7.	Mr .Muhammad Saqib Saleem	Chief Executive Officer	HR&R* Committee

* HR&R stands for Human Resource and Remuneration

Subsequent to the year end, on September 4, 2019, Syed Savail Meekal Hussain has been appointed as Director of the Company (subject to SECP approval) due to casual vacancy arising on the Board with the resignation of Dr. Syed Salman Ali Shah on June 10, 2019.

The Company is committed to implement highest standards of corporate governance. With seven (7) Non-Executive Directors including three (3) Independent Directors on the Board, including the newly appointed Syed Savail Meekal Hussain, as a governing body of the Company, the Board is accountable to the shareholders for good corporate governance.

DIRECTORS' REPORT

The Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of Non-Executive Directors. The Company remains committed to conduct business in line with listing regulations of Pakistan Stock Exchange, which clearly defines the role and responsibilities of Board of Directors and Management. The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements prepared by the management of the Company, present fairly its state of affairs, the results of operations, cash flows and changes in equity;
- b. Proper books of accounts of the Company have been maintained;
- c. Appropriate accounting policies have been consistently applied in the preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;
- d. International Financial Reporting Standards, as applicable in Pakistan have been followed in the preparation of financial statements and any departures there from have been adequately disclosed and explained;
- e. The system of internal control is sound in design and has been effectively implemented and monitored with ongoing efforts to improve it further;
- f. There are no doubts what so ever upon the Company's ability to continue as going concern;
- g. There has been no material departure from the best practices of Corporate Governance including those detailed in the listing regulations;
- h. Key operating and financial data of the last 6 years in summarized form is annexed;
- i. Outstanding taxes, duties, levies and charges have been fully disclosed in the annexed audited financial statements; for details please refer note 18.1, 18.2 & 19;
- j. The management of the Company is continuously making efforts to ensure that an effective and efficient internal financial controls system remains active and implemented through consistent and continuous monitoring. Internal Audit Department of the Company is performing audit and review activities to evaluate the implementation of financial controls and ensure the existence of an effective control environment throughout the Company. During the year, significant and material findings of Internal Auditors, External Auditors and Regulators were addressed on a priority basis by the Management and the status was regularly reported to the Audit Committee of the Board. Based upon the results achieved from reviews and audits conducted during the year, the Board of Directors considers that the existing internal financial control system is adequate and has been effectively implemented and monitored, though room for improvement always exists;
- k. As at June 30, 2019, the Company is in compliance with the requirement of Directors' Training Program, as contained in Regulation No. 20 of the Code;
- l. The Directors' Remuneration Policy (The Policy) was approved by the Board of Directors in their 144th meeting held on September 14, 2018. The main features of the Policy are as under:

DIRECTORS' REPORT

- (i) With effect from September 14, 2018 each non-executive director will be paid a sum of rupees seventy five thousand (75,000) for attending the Board meeting / meetings of committees of the Board;
- (ii) The Vice Chairman of the Board is entitled to certain perks and perquisites on account of the additional responsibilities, which have been disclosed in the annexed audited financial statements, for details please refer note 32;
- (iii) Payment for any extra services shall not be made to any executive director. However, if a non-executive director performs any special services, the remuneration of the same will be pre-decided by the Board and in the absence of the quorum, by the general meeting of members of the Company;
- (iv) Remuneration to executive director(s) shall be decided by the Board on recommendation of the Human Resource and Remuneration Committee based on the role and responsibilities of the executive director and shall reflect the individual's roles, experience and responsibilities; and
- (v) Non-executive directors are not covered under any post retirement scheme of the Company.
- m. The detailed pattern of shareholding as on June 30, 2019 is annexed;
- n. A formal and effective mechanism is put in place for an annual evaluation of the Board's own performance, members of the Board and Committees of the Board;
- o. During the year, a Company maintained car was sold to the Vice Chairman at a price of Rs. 1,413,590 having nil book value. There are no other contracts or arrangements entered into with any of the related parties requiring disclosure under section 208 of the Companies Act, 2017;

p. Meeting of the Directors

During the year, eight (8) meetings of the Board of Directors were held. The attendance of each Director is as follows:

Name of Directors	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mian Muhammad Mansha	8	8	2	6
2. Mr. Nasim Beg	8	8	8	-
3. Dr. Syed Salman Ali Shah *	8	6	6	-
4. Mr. Haroun Rashid	8	8	5	3
5. Mr. Ahmed Jahangir	8	8	8	-
6. Mr. Samad A. Habib	8	8	6	2
7. Mr. Mirza Qamar Beg	8	8	8	-
8. Mr. Muhammad Saqib Saleem (CEO)	8	8	8	-

*Dr. Syed Salman Ali Shah resigned from the Board effective June 10, 2019

DIRECTORS' REPORT

q. Meetings of the Audit Committee

During the year, nine (9) meetings of the Audit Committee were held. The attendance of each members is as follows:

Name of Members	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid (Chairman)	9	9	7	2
2. Mr. Ahmed Jahangir	9	9	9	-
3. Mr. Nasim Beg	9	9	9	-
4. Mr. Mirza Qamar Beg	9	9	9	-

r. Meetings of the Human Resource and Remuneration Committee

During the year, one (1) meeting of the Human Resource and Remuneration Committee was held. The attendance of each member is as follows:

Name of Members	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Dr. Syed Salman Ali Shah (Chairman)*	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-
4. Mr. Haroun Rashid	1	1	1	-
5. Mr. Muhammad Saqib Saleem (CEO)	1	1	1	-

* Dr. Syed Salman Ali Shah resigned from the Board effective June 10, 2019 and Mr. Mirza Qamar Beg was included as a member and also appointed as Chairman of the Committee.

s. Meeting of the Risk Management Committee

During the year, one (1) meeting of the Risk Management Committee was held. The attendance of each Members is as follows:

Name of Members	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg (Chairman)	1	1	1	-
2. Mr. Nasim Beg	1	1	1	-
3. Mr. Ahmed Jahangir	1	1	1	-

DIRECTORS' REPORT

AUDITORS

The present auditors, M/s KPMG Taseer Hadi & Co., Chartered Accountants, have completed their engagement for the year ended June 30, 2019 and shall retire on the conclusion of the 19th Annual General Meeting.

The Audit Committee considered and recommended the re-appointment of M/s KPMG Taseer Hadi & Co. Chartered Accountants as statutory auditors of the Company for the year ending June 30, 2020 and the Board of Directors also endorsed the recommendation of the Audit Committee to comply with the requirements of Code of Corporate Governance.

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
September 13, 2019.



Nasim Beg
Director and Vice Chairman

ڈائریکٹرز رپورٹ

برائے اور من جانب ڈائریکٹرز،



نسیم بیگ
ڈائریکٹر اوپن سیرسز



محمد ثاقب سلیم
چیف ایگزیکٹو آفیسر
13 ستمبر 2019ء

ڈائریکٹرز رپورٹ

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	1	1	1	۱۔ ڈاکٹر سید سلمان شاہ (چیئرمین)*
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر
-	1	1	1	۴۔ جناب ہارون رشید
-	1	1	1	۵۔ جناب محمد ثاقب سلیم (سی ای او)

* ڈاکٹر سید سلمان علی شاہ نے 10 جون 2019ء کو بورڈ سے استعفیٰ دیا اور مرزا قمر بیگ ممبر کے طور پر شامل کیا گیا اور کمیٹی کے چیئرمین کے طور پر بھی ان کی تقرری کی گئی۔

S. رسک مینجمنٹ کمیٹی کی میٹنگ

دوران سال رسک مینجمنٹ کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے :

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
-	1	1	1	۱۔ جناب مرزا قمر بیگ (چیئرمین)
-	1	1	1	۲۔ جناب نسیم بیگ
-	1	1	1	۳۔ جناب احمد جہانگیر

آڈیٹرز

موجودہ آڈیٹرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لیے اپنا کام پورا کر لیا ہے اور وہ 19 ویں عمومی اجلاس کی تکمیل پر ریٹائر ہو جائیں گے۔

بورڈ کی آڈٹ کمیٹی نے 30 جون 2020ء کو ختم ہونے والے سال کے لئے فنڈ کے قانونی آڈیٹرز کے طور پر KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقرری کی سفارش کی ہے اور بورڈ آف ڈائریکٹرز نے بھی کوڈ آف کارپوریٹ گورننس کی شرائط کی تعمیل میں آڈٹ کمیٹی کی سفارش کی توثیق کی ہے۔

اظہار تشکر

مینجمنٹ کمیٹی کے بورڈ آف ڈائریکٹرز پاکستان اسٹاک ایکسچینج لمیٹڈ کی انتظامیہ، سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان، کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ مزید برآں، ڈائریکٹرز کمیٹی کے ایمپلائیز کے عزم و اخلاص اور ان کی کوششوں، اور شیئر ہولڈرز کے کمیٹی میں اعتماد کو بھی خراج تحسین پیش کرتے ہیں۔

ڈائریکٹرز رپورٹ

p. ڈائریکٹرز کی میٹنگ

دوران سال بورڈ آف ڈائریکٹرز کی آٹھ (8) میٹنگز منعقد ہوئیں۔ ہر ڈائریکٹر کی حاضری درج ذیل ہے:

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
6	2	8	8	۱۔ میاں محمد منشاء
-	8	8	8	۲۔ جناب نسیم بیگ
-	6	6	8	۳۔ ڈاکٹر سید سلمان علی شاہ *
3	5	8	8	۴۔ جناب ہارون رشید
-	8	8	8	۵۔ جناب احمد جہانگیر
2	6	8	8	۶۔ جناب صدائے حبیب
-	8	8	8	۷۔ جناب مرزا قمر بیگ
-	8	8	8	۸۔ جناب محمد ثاقب سلیم (چیف ایگزیکٹو آفیسر)

* ڈاکٹر سید سلمان علی شاہ 10 جون 2019ء کو بورڈ سے مستعفی ہو گئے۔

q. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی نو (9) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد			منعقدہ میٹنگز کی تعداد	نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری		
2	7	9	9	۱۔ جناب ہارون رشید (چیرمین)
-	9	9	9	۲۔ جناب احمد جہانگیر
-	9	9	9	۳۔ جناب نسیم بیگ
-	9	9	9	۴۔ مرزا محمد قمر بیگ

r. ہیومن ریسورس اینڈ ریویژن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریویژن کمیٹی کی ایک (1) میٹنگ منعقد ہوئی۔ شرکاء کی حاضری درج ذیل ہے:

ڈائریکٹرز رپورٹ

d. مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی (پاکستان میں اطلاق کی حد تک) تعمیل کی گئی ہے اور ان سے کسی بھی انحراف کو خاطر خواہ حد تک ظاہر اور واضح کیا گیا ہے۔

e. انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور مؤثر انداز میں نافذ کیا گیا ہے اور اس کی مؤثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں۔

f. کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کوئی شبہات نہیں ہیں۔

g. کارپوریٹ گورننس کی بہترین روایات سے، بشمول وہ جن کی لسٹنگ ریگولیشنز میں تفصیل بیان کی گئی ہے، کوئی قابل ذکر انحراف نہیں ہوا ہے۔

h. گزشتہ 6 برسوں کا اہم آپریٹنگ اور مالیاتی ڈیٹا مختصر انداز میں ملحق ہے۔

i. واجب الاداء ٹیکسز، ڈیویڈنڈ، محصولات اور چارجز کو ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔ تفصیلات کے لیے نوٹ 18.1، 18.2 اور 19 ملاحظہ فرمائیے۔

z. کمپنی کی انتظامیہ مسلسل کوششیں کر رہی ہے کہ اندرونی مالیاتی کنٹرولز کا ایک مؤثر اور مفید نظام مسلسل اور پائیدار نگرانی کے ذریعے متحرک اور نافذ العمل رہے۔ کمپنی کا انٹرنل آڈٹ ڈپارٹمنٹ آڈٹ اور جائزے سے متعلق سرگرمیاں انجام دے رہا ہے تاکہ مالیاتی کنٹرولز کے نفاذ کی جانچ ہو اور پورے ادارے میں مؤثر کنٹرول کے ماحول کی موجودگی کو یقینی بنایا جائے۔ دوران سال اندرونی آڈیٹرز، خارجی آڈیٹرز اور ریگولیٹرز کے اہم اور ٹھوس تحقیقاتی نتائج پر انتظامیہ نے ترجیحی بنیاد پر توجہ دی اور بورڈ کی آڈٹ کمیٹی کو باقاعدگی کے ساتھ صورتحال سے آگاہ رکھا گیا۔ دوران سال کیے گئے جائزوں اور آڈٹس سے ظاہر ہونے والے نتائج کی بنیاد پر بورڈ آف ڈائریکٹرز کی رائے میں موجودہ اندرونی مالیاتی کنٹرول کا نظام خاطر خواہ ہے اور اس کا مؤثر نفاذ اور نگرانی ہوئی ہے، اگرچہ بہتری کی گنجائش ہمیشہ رہتی ہے؛

k. 30 جون 2019 کے اختتام پر، ڈائریکٹرز ٹریننگ پروگرام کے حوالے سے جو مطالبات کوڈ کے regulation نمبر بیس میں درج ہیں، کمپنی اُس سے compliant ہے۔
i. ڈائریکٹرز کے معاوضے کی پالیسی (پالیسی) کو بورڈ آف ڈائریکٹرز کو بورڈ آف ڈائریکٹرز نے اپنے 144 ویں اجلاس منعقدہ 14 ستمبر 2018ء میں منظور کر لیا تھا۔ پالیسی کے چیدہ نکات درج ذیل ہیں:

(i) 14 ستمبر 2018ء سے ہر نان ایگزیکٹو ڈائریکٹر کو بورڈ کی میٹنگ / کمیٹیوں میں شرکت کے لیے پچھتر ہزار روپے (75,000) ادا کیے جائیں گے۔

(ii) بورڈ کے نائب چیئرمین اضافی ذمہ داریوں کے باعث کچھ اضافی مراعات کے حقدار ہوں گے جن کو ملحقہ آڈٹ شدہ مالیاتی گوشواروں میں ظاہر کیا گیا ہے۔ تفصیلات کے لیے نوٹ 32 ملاحظہ فرمائیے۔

(iii) کسی ایگزیکٹو ڈائریکٹر کو کسی اضافی خدمات کے لیے معاوضہ نہیں دیا جائے گا۔ تاہم اگر کوئی نان ایگزیکٹو ڈائریکٹر کچھ خصوصی خدمات فراہم کرتا ہے تو اُس کے معاوضے کا تعین بورڈ پہلے سے کر لے گا، اور Quorum کی عدم موجودگی کی صورت میں کمپنی کے ارکان کے عمومی اجلاس میں یہ تعین کیا جائے گا۔

(iv) ایگزیکٹو ڈائریکٹر کا معاوضہ بورڈ ہیومن ریسورس اینڈ ریمونڈیشن کمیٹی کی سفارشات پر طے کرے گا جو ایگزیکٹو ڈائریکٹر کے پیشہ ورانہ کردار اور اس کی ذمہ داریوں کی بنیاد پر کی جائیں گی۔ معاوضہ ایسا ہو جو فرد کے پیشہ ورانہ کردار، تجربے اور ذمہ داریوں کی عکاسی کرتا ہو؛ اور

(v) نان ایگزیکٹو ڈائریکٹر کمپنی کی بعد از ریٹائرمنٹ اسکیم کے تحت نہیں آتے۔

m. 30 جون 2019ء کو حصص یافتگی کا تفصیلی خاکہ ملحق ہے؛

n. بورڈ، اس کے ارکان اور کمیٹیوں کی کارکردگی کی سالانہ جانچ کا باقاعدہ اور مؤثر نظام بھی نافذ کیا گیا ہے؛

o. دوران سال کمپنی کے زیر انتظام ایک گاڑی، جس کی بک ویلو صفر تھی، نائب چیئرمین کو 1,413,590 روپے میں فروخت کی گئی۔ اس کے علاوہ کسی بھی متعلقہ فریقوں سے ایسا کوئی انتظام یا معاہدہ نہیں کیا گیا ہے جس کو کمپنیز ایکٹ 2017ء کے سیکشن 208 کے تحت ظاہر کرنا لازمی ہو۔

ڈائریکٹرز رپورٹ

نمبر شمار	نام	درجہ	بورڈ کی دیگر کمیٹیوں میں رکنیت
1.	میاں محمد منشاء	نان ایگزیکٹو ڈائریکٹر	کوئی نہیں
2.	جناب نسیم بیگ	نان ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی (ii) رسک مینجمنٹ کمیٹی (iii) HR&R کمیٹی *
3.	جناب احمد جہانگیر	نان ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی (ii) رسک مینجمنٹ کمیٹی (iii) HR&R کمیٹی *
4.	جناب صداع حبیب	نان ایگزیکٹو ڈائریکٹر	کوئی نہیں
5.	جناب ہارون رشید	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی (چیرمین) (ii) رسک مینجمنٹ کمیٹی (iii) HR&R کمیٹی *
6.	جناب مرزا قمر بیگ	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی (ii) رسک مینجمنٹ کمیٹی (چیرمین) (iii) HR&R کمیٹی * (چیرمین)
7.	جناب محمد ثاقب سلیم	چیف ایگزیکٹو آفیسر	HR&R کمیٹی *

* HR&R ہیومن ریسورس اینڈ ریمونڈیشن کا محفف ہے۔

دوران سال ڈاکٹر سید سلمان علی شاہ کے استعفیٰ کی وجہ سے سال کے اختتام کے بعد 4 ستمبر 2019ء کو سید سوانل میکال حسین کی کمپنی کے ڈائریکٹر کے طور پر تقرری کر دی گئی (جو سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کی منظوری پر مشروط ہے)۔ کمپنی کا رپورٹ گورننس کے اعلیٰ ترین معیارات نافذ کرنے کے لئے پرعزم ہے سات (7) غیر ایگزیکٹو ڈائریکٹرز بشمول تین (3) خود مختار ڈائریکٹر پر مشتمل بورڈ، بشمول سید سوانل میکال حسین جن کو حال ہی میں تقرر کیا گیا ہے مینجمنٹ کمپنی کے انتظامی ادارے کی حیثیت سے، عمدہ کارپوریٹ گورننس کے لئے شیئر ہولڈرز کو جوابدہ ہے۔ انتظامیہ بہترین طریقوں، خاص طور پر غیر ایگزیکٹو ڈائریکٹرز کی خود مختاری کے حوالے سے کارپوریٹ گورننس کے ضابطہء اخلاق کی شقوں کی بدستور تعمیل کر رہی ہے۔ کمپنی پاکستان اسٹاک ایکسچینج کے لسٹنگ قوانین کے مطابق کاروبار جاری رکھنے کے عزم پر قائم ہے جن میں بورڈ آف ڈائریکٹرز اور انتظامیہ کے کردار اور ذمہ داریوں کی وضاحت کی گئی ہے۔

ذیل میں کارپوریٹ گورننس کے ضابطہء اخلاق کی شرائط کی تعمیل کے لئے خصوصی بیانات دیئے جا رہے ہیں:

- کمپنی انتظامیہ کے تیار کردہ مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمد و رفت اور ایکویٹی میں تبدیلیوں کی منصفانہ عکاسی کرتے ہیں۔
- کمپنی کی درست بکس آف اکاؤنٹس تیار کی گئی ہیں۔
- مالیاتی گوشواروں کی تیاری میں درست اکاؤنٹنگ پالیسیوں کا اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں۔

کارپوریٹ سماجی ذمہ داری اور اس کا ماحول پر اثر

زیر جائزہ سال کے دوران کمپنی نے کارپوریٹ سماجی ذمہ داری (CSR) سے متعلق کچھ چھوٹی موٹی سرگرمیاں منعقد کیں۔ 'ڈائریکٹرز اور عملیاتی کرائفٹسمین کالونی' میں بالترتیب بچوں کا عالمی دن اور خواتین کا عالمی دن منایا گیا۔ مزید برآں، کمپنی پر اعتماد ہے کہ اس کے کاروبار سے ماحولیاتی تحفظ متاثر نہیں ہوتا، اور ٹیکنالوجی کے استعمال میں اضافے اور آن لائن پورٹل Save! متعارف کرا کر کمپنی کاغذ کے استعمال میں کمی پر توجہ مرکوز کر رہی ہے۔

ادارے کی درجہ بندی اور اثاثہ جاتی منتظم کی درجہ بندی

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (PACRA) نے کمپنی کے اثاثہ جاتی منتظم کی AA- درجہ بندی کی ہے۔ کمپنی کے زیر انتظام اجتماعی سرمایہ کاری اسکیموں کی درجہ بندی درج ذیل ہے:

	30 جون 2018ء	30 جون 2019ء	
درجہ بندی کرنے والا ادارہ	استحکام کی درجہ بندی		
PACRA	AA+ (f)	AA+ (f)	پاکستان کیش مینجمنٹ فنڈ
PACRA	A+ (f)	A+ (f)	پاکستان انکم فنڈ
PACRA	AA- (f)	AA- (f)	ایم سی بی پاکستان Sovereign فنڈ
PACRA	A+ (f)	A+ (f)	پاکستان انکم انہاسمنٹ فنڈ
PACRA	A+ (f)	AA- (f)	ایم سی بی ڈی سی ایف انکم فنڈ
PACRA	AA+ (f)	AA+ (f)	ایم سی بی کیش مینجمنٹ آپٹیمائزر
PACRA	AA- (f)	AA- (f)	الحمراء اسلامک انکم فنڈ

میوچل فنڈز ایسوسی ایشن آف پاکستان (MUFAP) میوچل فنڈز کے منافعوں کی بنیاد پر 'پرفارمنس آف میوچل فنڈز' انجام دے رہا ہے۔ ایم سی بی عارف حبیب نے اپنی ایکویٹی پر مبنی کلیوٹیوانو سٹیمٹس اسکیمز کے لیے MUFAP کی درجہ کو قبول کیا ہے۔

ہولڈنگ کمپنی

ایم سی بی بینک لمیٹڈ ایم سی بی عارف حبیب سیونگز اینڈ انویسٹمنٹس لمیٹڈ کی parent کمپنی ہونے کی حیثیت سے 51.33 فیصد آؤٹ سٹیڈنگ عمومی حصص کا حامل ہے۔

کارپوریٹ گورننس

30 جون 2019ء کو کمپنی کے بورڈ آف ڈائریکٹرز کی تعداد سات (7) ارکان (مرد: 7 اور خواتین: 0) تھی جن کی تفصیل درج ذیل ہے:

کمپنی کے بورڈ آف ڈائریکٹرز کی مجموعی طور پر ذمہ داری ہے کہ اس بات کی یقین دہانی کریں کہ اندرونی مالیاتی کنٹرولز کا نظام خاطر خواہ ہے اور موثر انداز میں چل رہا ہے۔

30 جون 2019ء کو اختتام پذیر ہونے والے سال کے آڈٹ شدہ اکاؤنٹس کے مطابق پینشن فنڈز میں ایمپلائیز کی سرمایہ کاری کی مالیت 40,186,537 روپے ہے جبکہ 30 جون 2018ء کو اختتام پذیر ہونے والے سال کو اس کی مالیت 27,222,357 روپے تھی۔

اہم ترین خطرات اور غیر یقینی صورتیں

”Assets انڈر مینجمنٹ“ (AUMs) یعنی انتظامیہ کے تحت آنے والے اثاثہ جات، جو اثاثہ جاتی انتظام کی صنعت کی شہ رگ ہیں، نے ماضی میں معمولی ترقی کی ہے۔ اس کی وجہ ایک جانب معاشرے میں بچت کے رجحان کی کمی، جبکہ دوسری جانب عوام کی دستاویزی کارروائی کے لیے ناپسندیدگی ہے۔ کارپوریٹ سیکیٹر مالیاتی اعتبار سے زیادہ آگاہ ہونے کی بدولت عوام کے مقابلے میں میوچل فنڈز کی طرف زیادہ رجحان ہے۔ اس نہایت مسابقت انگیز صنعت کی طرف نئے فریق مائل کرنے کے لیے اثاثہ جاتی انتظام کی کمپنیوں (AMCs) نے آن لائن حل متعارف کرائے ہیں۔ ان سہولتوں کو وضع کرنے اور چلانے کی اچھی خاصی لاگتیں آتی ہے جبکہ زیادہ منافعوں کی مانگ انتظامی فیس میں اضافہ ہونے نہیں دے رہی۔ چنانچہ اثاثہ جاتی انتظام کی کمپنیوں کے منافعوں پر دباؤ جاری رہتا ہے۔ اخراجات پورے کرنے اور منافع بخش رہنے کا واحد حل خطیر سرمایہ کاریاں ہے۔ صنعت کی سست رفتار ترقی کی تلافی کے لیے اثاثہ جاتی انتظام کی کمپنیاں صوابدیدی پورٹ فولیو مینجمنٹ اکاؤنٹس کو استعمال میں لانے کی بھرپور کوشش کر رہی ہیں۔

حکومت Know Your Customer (KYC) کی ضروریات سے متعلقہ مسائل کے حوالے سے محتاط ہو گئی ہے تاکہ ”اینٹی منی لانڈرنگ“ (AML) یعنی منی لانڈرنگ کے انسداد اور ”کامپیونگ دی فنانسنگ آف ٹیرزم“ (CFT) یعنی دہشتگردی کے لیے مالیت کی فراہمی کے انسداد کے لیے پیش رفت ہو۔ چنانچہ اثاثہ جاتی انتظام کی کمپنیوں پر بھاری ذمہ داری عائد ہوتی ہے کہ ”کسٹمر ڈیولپمنٹ“ (CDD) یعنی صارفین کی چھان بین بھرپور انداز میں انجام دیں کریں کیونکہ ان ضوابط کی عدم تعمیل کے نتیجے میں بھاری جرمانے ہو سکتے ہیں۔ ایم سی بی عارف حبیب ان سخت لیکن ضروری ضوابط کی تعمیل کو یقینی بنانے کے لیے کوشاں ہے۔

کمپنی نے PayPak ڈیبٹ کارڈ متعارف کرا دیا ہے۔ چنانچہ ایم سی بی عارف حبیب ایک بار پھر پاکستان کی پہلی اثاثہ جاتی انتظام کی کمپنی بن گئی ہے جس کا اپنا ڈیبٹ کارڈ ہے۔ لیکن ڈیبٹ کارڈ کے ذریعے آن لائن فریب کاریوں کے دروازے کھل جاتے ہیں۔ تاہم چونکہ یہ کارڈ صرف پاکستان میں قابل استعمال ہے اور آن لائن لین دین کے لیے استعمال نہیں کیا جاسکتا اس لیے خطرہ کافی حد تک کم ہے۔ علاوہ ازیں، پلاسٹک کارڈ انشورنس بھی حاصل کر لی گئی ہے تاکہ کمپنی پر عائد ہونے والی ذمہ داری کا دائرہ کم سے کم ہو۔

پاکستان کو کافی عرصے سے سیاسی انتشار، بدعنوانی اور دہشتگردی کا سامنا ہے جس کے سبب ملک کی معاشی ترقی بے حد متاثر ہوئی ہے۔ معاشی عدم استحکام اور بے قاعدہ پالیسیوں نے ماحول کو مبہم بنا دیا ہے جس کی عکاسی تیزی سے بڑھتے ہوئے مقامی اور غیر ملکی قرض، کرنٹ اکاؤنٹ کے بھاری خسارے، غیر ملکی براہ راست سرمایہ کاری (FDI) میں گراؤ، ذخائر میں تنزلی، انٹریسٹ کی شرحوں میں اضافے اور روپے کی قدر میں کمی سے ہوتی ہے۔ دھندلے معاشی ماحول نہ صرف مقامی اور غیر ملکی سرمایہ کاروں کو خطیر رقم لگانے کا خطرہ اٹھانے سے روکتا ہے اور انھیں محفوظ ٹھکانوں میں پناہ لینے پر مجبور کرتا ہے بلکہ اثاثہ جاتی انتظام کے کاروبار کو بھی متاثر کر سکتا ہے۔

مزید برآں، موجودہ مالیاتی سال کے دوران کمپنی کے اپنے کاروبار کی نوعیت میں، یا کسی اور کمپنی جس میں کمپنی کی کاروباری دلچسپی ہے، کے کاروبار کی نوعیت میں کوئی اہم تبدیلیاں نہیں ہوئی ہیں۔

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

دوران سال کمپنی کی بنیادی آمدنیوں میں 4 فیصد اضافہ ہوا، اور انتظامی اور سرمایہ کارانہ مشاورت کی فیس کی مدد میں کمپنی نے 730 ملین روپے حاصل کیے جبکہ گزشتہ سال یہ آمدنی 702 ملین روپے تھی۔ تاہم اکاؤنٹنگ کے معیارات کو اختیار کرنے یا (ذیل میں واضح کردہ) حکمت عملی پر مبنی کاروباری فیصلوں کے باعث قدر کی پیمائش کے خسارہ جات اور ڈہرائے نہ جانے والے عوامل کی ریکارڈنگ کے بعد کمپنی کا منافع قبل از ٹیکس 85 ملین روپے تھا۔ منافع بعد از ٹیکس برائے موجودہ مالی سال 24 ملین روپے تھا، جبکہ 30 جون 2018ء کو اختتام پذیر ہونے والے مقابل سال میں 124 ملین روپے تھا۔ اس سال انٹریسٹ کی شرحوں میں اضافے اور اسٹاک آپریٹنگ کی کارکردگی میں ممکنہ بہتری کی بدولت انتظامیہ کے تحت آنے والے اثاثہ جات میں مزید ترقی متوقع ہے جس سے آمدنی اور منافع حاصل کرنے کی استعداد میں اضافہ ہوگا۔

30 جون 2019ء کو اختتام پذیر ہونے والے موجودہ مالی سال کی آمدنی فی شیئر 0.34 روپے ہے جبکہ 30 جون 2018ء کو اختتام پذیر ہونے والے سال گزشتہ کی آمدنی فی شیئر 1.72 روپے تھی۔

مجموعی سرمایہ کاریاں ایکویٹی فنڈز اور فکسڈ انکم فنڈز میں تقریباً مساوی تقسیم رہیں۔ فکسڈ انکم پر منافع تقریباً 9.9 فیصد (منجمنٹ فیس کے gross) پر مستحکم رہا، تاہم ایکویٹی میں 14.8 فیصد منفی منافع کے نتیجے میں مالی سال 2018-19ء میں منفی منافع ہوا۔ 30 جون 2019ء کو اختتام پذیر ہونے والے مالی سال میں سیاست میں غیر یقینی صورتحال کے سبب ایکویٹی مارکیٹ میں تنزلی ہوئی ہے۔ چنانچہ انتظامیہ کو سرمایہ کاریوں سے 67 ملین روپے کا خسارہ ہوا ہے۔

ہمیں دوبارہ ریٹنگ کی بغیر ہی 15 فیصد سے زیادہ forward منافعوں (ڈیویڈنڈ کی آمدنی + معمولی منافعوں میں ترقی) کی توقع ہے جو سابقہ پست ویلیویشنز کو دیکھتے ہوئے کوئی امر بعید نہیں ہے۔ چونکہ انتظامیہ کو موجودہ سال میں مارکیٹ میں بہتری کی امید ہے اس لیے ہماری طویل المیعاد توقعات پہلے کی طرح مثبت ہیں۔

علاوہ ازیں، انکم فنڈز اور منی مارکیٹ فنڈز میں ہماری سرمایہ کاری کے حوالے سے انتظامیہ سمجھتی ہے کہ انٹریسٹ کی بلند شرحوں کے سبب فکسڈ انکم فنڈز میں ہماری سرمایہ کاری سے 12 فیصد سے زیادہ منافع متوقع ہے۔

مزید یہ کہ کمپنی ہیڈ آفس اور کچھ شاخیں کہیں اور منتقل کر رہی ہے یا کرنے کے عمل میں ہے جس کے نتیجے میں موجودہ مالی سال کے دوران خسارہ جات سامنے آئے ہیں۔

علاوہ ازیں، اکاؤنٹنگ کے بین الاقوامی معیارات IAS 39 کی جگہ لینے والے "IFRS 9- فائنانشل انسٹرومنٹس" کے سبب مالیاتی اثاثہ جات کی اکاؤنٹنگ میں کچھ بنیادی تبدیلیاں رونما ہوئی ہیں۔ موجودہ مالی سال سے IFRS 9 کو اختیار کرنے سے کمپنی کو پینشن فنڈز میں سرمایہ کاری سے ہونے والے ایکویٹی کے غیر تلافی شدہ خسارہ جات کو "اسٹیٹمنٹ آف پرافٹ اینڈ لاس" کے ذریعے ظاہر کیا گیا ہے جبکہ اس سے قبل "اسٹیٹمنٹ آف کامپری ہینیسو انکم" میں ظاہر کیا جاتا تھا۔ IFRS 9 اختیار نہ کیے جانے کی صورت میں انکم اسٹیٹمنٹ 33.8 ملین زیادہ ہوتا جبکہ Other کامپری ہینیسو انکم اتنی ہی مقدار کم ہوتی اور آمدنی فی شیئر میں 0.47 روپے اضافہ ہو جاتا۔

30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لیے بورڈ نے 13.5 فیصد (1.35 روپے فی شیئر) حتمی ڈیویڈنڈ تجویز کیا ہے جبکہ 30 جون 2018ء کو اختتام پذیر ہونے والے سال کے لیے حتمی ڈیویڈنڈ 17.5 فیصد (1.75 روپے فی شیئر) تھا۔

علاوہ ازیں، ہمیں اُمید ہے کہ ایشیائے خوردونوش اور توانائی کے علاوہ والے شعبوں (NFNE) سے ظاہر ہونے والی بنیادی افراط زر کا اوسط زیر بحث سال کے لیے 10.0 فیصد ہوگا۔ ہم سمجھتے ہیں کہ انٹریسٹ کی موجودہ حقیقی شرح متوقع افراط زر کی ضرورت پوری کرنے کے لیے کافی ہوگی، چنانچہ عمومی طور پر انٹریسٹ کی شرحوں میں مزید اضافہ متوقع نہیں ہے۔ تاہم توقع سے زیادہ افراط زر یا مالیاتی گوشواروں میں کسی تنزلی کے نتیجے میں مانیٹری پالیسی میں معمولی سختی عمل میں آسکتی ہے۔

مالیاتی جہت میں حکومت مالیاتی خسارے کو GDP کے 7.4 فیصد تک محدود کرنے کا ارادہ کر رہی ہے۔ اگرچہ مالیاتی خسارے کے حتمی ہدف میں ارتقاء ہو سکتا ہے لیکن حکومت کو بنیادی خسارے کو GDP کے 0.6 فیصد پر محدود کرنے کی آئی ایم ایف کی بنیادی شرط کو پورا کرنا ہے۔ اس مقصد کے لیے فیڈرل بورڈ آف ریونیو (FBR) 5.5 ٹریلین روپے (35 فیصد YoY زیادہ) ٹیکس وصولی کا عزم بلند کیے ہوئے ہے۔ پارلیمنٹ میں پیش کردی بجٹ میں 600 سے 700 بلین روپے کے ٹیکس اقدامات کی تجویز دی گئی ہے جبکہ باقی رقم FBR کی کوششوں اور معاشی ترقی پر منحصر رکھی گئی ہے۔ اخراجات کی جہت میں حکومت کرنٹ اخراجات میں سادگی کے اقدامات کا عزم کر رہی ہے تاہم 7.1 ٹریلین روپے (40 فیصد YoY زیادہ) کے ایکسپینڈیچر (یعنی معاشی توسیع پر مبنی) پبلک سیکٹرز ڈویلپمنٹ پروگرام (PSDP) کا منصوبہ بنا رہی ہے۔ ہم ٹیکس وصولی کی ہدف کو بے حد مثبت خیالی پر مبنی سمجھتے ہوئے 300 سے 400 بلین روپے کی کمی کی توقع کر رہے ہیں جس کے نتیجے میں ترقیاتی خرچ پر ضرب پڑے گی۔

وسیع تر تناظر میں ہم سمجھتے ہیں کہ گزشتہ دو سال مارکیٹ کی کارکردگی سے (بلند ترین سطحوں سے تقریباً 45 فیصد تنزلی) اور سائیکلیکل اسٹاکس کی کارکردگی سے، جہاں اسٹاک کی قیمتوں میں اصلاح تیز تر ہوتی ہے، سیاسی اور معاشی سمت پر خدشات کی عکاسی ہوتی ہے۔ ہم اپنے موقف میں اعادہ جاری رکھتے ہیں کہ موجودہ سطحیں ایسے طویل المیعاد سرمایہ کاروں کے لیے بہت پرکشش سطحیں پیش کرتے ہیں جن کے ناکام ہونے کا امکان بہت کم ہوتا ہے۔ ہم سمجھتے ہیں کہ اسٹاکس میں ترقی بتدریج ہی منظر عام پر آئے گی جب اعتماد بحال ہوگا اور معاشی پالیسیاں مستقبل کی متوقع تصویر کشی کریں گی۔ چنانچہ آگے بڑھتے ہوئے ہم دیکھتے ہیں کہ اسٹاکس ایسے سرمایہ کاروں کے لیے جن کو جلدی نہیں ہے، طویل المیعاد سرمایہ کاری کا موقع جمع منافع جات پیش کرتے ہیں۔ ہم نے ملک کے معاشی اشاروں کے رجحانات پتہ کر کے اس حساب سے اپنے پورٹ فولیو میں ترمیم کا سلسلہ جاری رکھا ہوا ہے۔

مجموعی حکمت عملی اب بھی دفاعی شعبوں (ایکسپلوریشن اینڈ پروڈکشن، پاور، فرٹیلائزر) کی طرف جھکی ہوئی ہے جبکہ گلاں معاشیاتی میدان میں تبدیل ہوتے ہوئے عوامل مثلاً انٹریسٹ کی بڑھتی ہوئی شرحوں سے مستفید ہونے والا سیکٹر (کمرشل بینک) بھی overweight ہے۔ علاوہ ازیں، برآمدات کو بحال کرنے پر حکومت کی بھرپور توجہ کی بدولت برآمدات پر مبنی شعبوں مثلاً ٹیکسٹائلز اور انفارمیشن ٹیکنالوجی کے مستقبل کے امکانات روشن تر ہو جائیں گے۔ سائیکلیکل اسٹاکس میں منفی کارکردگی 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 کی صنعت کا جائزہ

اوپن end میوچل فنڈ کی صنعت کے net اثاثہ جات مالی سال 2019ء کے اختتام پر 9.1 فیصد کم ہو کر تقریباً 513 بلین روپے ہو گئے۔ دوران سال انٹریسٹ کی شرحوں میں 575 بیسیس پوائنٹس اضافے کے باعث منی مارکیٹ فنڈز کو سب سے زیادہ توجہ حاصل ہوئی۔ منی مارکیٹ کے کل فنڈز 22 فیصد YoY بڑھ کر 160 بلین روپے ہو گئے۔ منی مارکیٹ کے شعبے میں شریعہ کمپلائنسٹ فنڈز حاوی رہے۔ تقریباً 220 فیصد بڑھ کر 29 بلین روپے ہو گئے۔ کمزور گلاں معاشیاتی عناصر کی موجودگی میں خطرات کے حامل اثاثہ جات کی مانگ میں کمی کا سلسلہ جاری رہا۔ ایکویٹی اور متعلقہ فنڈز 332 بلین روپے سے 26 فیصد کم ہو کر سال کے اختتام تک 247 بلین روپے ہو گئے۔ اگرچہ اس کمی کی بڑی وجہ مارکیٹ میں تنزلی ہے لیکن سرمایہ کاریوں کی واپسی اور کم خطرات کے حامل فنڈز میں تبدیلی نے بھی AUM's کی تنزلی میں کردار ادا کیا۔

شعبہ جاتی شراکت کے اعتبار سے مالی سال 2019ء کے اختتام پر ایکویٹی اور ایکویٹی سے متعلقہ فنڈز تقریباً 48 فیصد شراکت کے ساتھ پہلے کی طرح سب سے آگے رہے، جبکہ منی مارکیٹ فنڈز 31 فیصد شراکت کے ساتھ دوسرے نمبر پر، اور انکم فنڈز 20 فیصد شراکت کے ساتھ تیسرے نمبر پر رہے۔

ڈائریکٹرز رپورٹ

سال کے اکثر حصے کے دوران ایکویٹی میں سرمایہ کاری کو کم کر دیا۔ ساتھ ساتھ کمزور معاشی ماحول اور انٹریسٹ کی شرحوں میں اضافے کے نتیجے میں ایکویٹی پر مبنی مقامی فنڈز سے بھی رقم نکالی گئی۔ غیر ملکیوں نے 362 ملین ڈالر کی ایکویٹی فروخت کر دیں جس کے بعد 146 ملین ڈالر کے میوچل فنڈز کا بھی یہی حال ہوا۔ اس فروخت کو جذب کرنے والے بنیادی طور پر افراد (166 ملین ڈالر)، انشورنس کمپنیاں (150 ملین ڈالر) اور کمپنیاں (111 ملین ڈالر) تھے۔ تجارتی حجم دوران سال پست رہے جن کا اوسط تقریباً 154 ملین شیئرز تھا جو 11.5 فیصد YoY کمی ہے۔

اہم شعبوں میں ریٹائرمنٹ، آئل مارکیٹنگ کمپنیاں، آٹوموبیل اور سیمنٹ کے شعبے سست روی کا شکار رہے اور ان میں بالترتیب 57 فیصد، 42 فیصد، 33 فیصد اور 32 فیصد تنازلی ہوئی۔ یہ شعبے پہلے ہی معاشی سست روی کا خمیازہ بھگت رہے تھے، اور زرمبادلہ کے خساروں اور مارجن کمپریشن نے آگ میں ایندھن شامل کرتے ہوئے ان شعبوں کی آمدنیوں کو بڑی طرح گرادیا۔ دوسری جانب کمرشل بینکوں کی کارکردگی انڈیکس پر سبقت لے گئی اور ان کا خسارہ صرف 12 فیصد تھا جبکہ مارکیٹ کا خسارہ 19 فیصد تھا۔ درمیانے حجم کے بینک صفِ اوّل میں تھے کیونکہ NIMS کی توسیع سے آمدنیوں میں خطیر ترقی ہوئی۔

مالی سال 2019ء کے اختتام پر KSE-100 کا فارورڈ پرائس / ارننگز (P/E) ریشو (یعنی قیمتوں اور آمدنیوں کا تناسب) $6.4 \times$ تھا، جبکہ سال کے آغاز میں یہ $9.5 \times$ تھا۔ اگرچہ آمدنیوں کے اعتبار سے انڈیکس کی ترقی سال گزشتہ کے دوران 10 فیصد کی بھرپور سطح پر رہی کیونکہ انڈیکس کے بڑے ادواروں کو گلاں معاشیاتی عوامل (انٹریسٹ کی بلند شرحوں اور روپے کی قدر میں کمی) سے فائدہ ہوا۔ انڈیکس میں گراؤ کی وضاحت دوران سال خطروں کے حامل اثاثہ جات میں دلچسپی کی کمی کے باعث خطیر ڈی-ریٹنگ سے ہوتی ہے۔

مارکیٹ اور معیشت - مستقبل کا منظر

مرکزی بینک کی طرف سے پالیسی میں ترمیمات کے نتیجے میں گلاں معاشیاتی یکجہایت عمل میں آئے گی، چنانچہ معاشی ترقی چھوٹے اعداد تک محدود رہے گی۔ حکومت کی اختیار کردہ سختی پر مبنی پالیسیوں کے پیش نظر آئی ایم ایف نے مالی سال 2020ء میں پاکستان کی GDP کی ترقی میں 2.5 فیصد سست روی کی پیش گوئی کی ہے۔ صنعتی ترقی، خاص طور پر درآمدات سے چلنے والے صرف پر مبنی شعبہ جات میں ترقی جو درکار رہے گی۔ تاہم برآمدات سے چلنے والی صنعتی کمپنیوں سے کچھ مہلت ملے گی کیونکہ حکومت نے ان میں ترغیبات متعارف کرائی ہیں، اور توانائی کی فراہمی میں اضافے کی بدولت ان کی رکاوٹیں بھی دور ہوتی ہیں۔

ادائیگی کی توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ مرکزی حکومت کی طرف سے پالیسی اقدامات کے بعد CAD ترمیم سے گزر کر معقول سطح تک آ گیا ہے۔ سال کا آغاز بہت حوصلہ افزا رہا کیونکہ جولائی 2019ء کا CAD سال گزشتہ کی مماثل مدت کے CAD (2,000 ملین ڈالر) کے مقابلے میں سیکڑ کر 600 ملین ڈالر رہ گیا تھا۔ ہمارے بہت محتاط مفروضوں پر مبنی پیشن گوئی ہے کہ CAD کی سطح GDP کے 2.7 فیصد تک پہنچ کر رک جائے گی۔ ہم نے خام تیل کی قیمتیں 70 ڈالر فی BBL کی سطح پر فرض کی ہیں جو موجودہ طور پر 60 ڈالر فی BBL کے آس پاس ہے۔ ایک آئی ایم ایف پروگرام پر دستخط کرنے کے بعد پاکستان بین الاقوامی مواقع کو استعمال کر کے اپنی مجموعی مالیات کے لیے رقم فراہم کر سکتا ہے۔ سعودی عرب کی طرف سے تیل کی ملتی شدہ سہولت بھی غیر ملکی زرمبادلہ کے ذخائر کو مختصر المیعاد مطلوبہ توقف فراہم کرے گی۔ ہمیں توقع ہے کہ موجودہ مالی سال کے اختتام تک غیر ملکی زرمبادلہ کے ذخائر بڑھ کر 13 بلین ڈالر تک پہنچ جائیں گے (1.8 ضربے زیادہ)۔ روپے کے توازن کی سطحوں (جون 2019ء REER: 91) تک ہم آہنگ ہونے اور CAD کے پائیدار حد میں ہونے کی وجہ سے روپے کی قدر میں اس کے ماضی کے اوسط کی بنیاد پر اب معمولی کمی ہونی چاہیے۔

مالی سال 2020ء میں افراط زر کا اوسط متوقع طور پر 11.7 فیصد بڑھے گا جو سال گزشتہ کے دوران 7.3 فیصد تھا۔ افراط زر میں اس اضافے کے متعدد عوامل ہیں۔ اول، حکومت یوٹیلٹی کی پوری لاگت وصول کرنے کا ارادہ کر رہی ہے جس کے نتیجے میں یوٹیلٹی کی قیمت میں ترمیمات ہوں گی۔ دوم، متعدد صنعتوں کو فراہم کردہ ٹیکس استثنائات واپس لے لی گئی ہیں جس کے نتیجے میں قیمتوں میں اضافہ ہوا ہے۔ آخری یہ کہ ہم نے مالی سال کے اختتام تک 1 ڈالر کو 170 روپے کے برابر فرض کیا ہے جبکہ خام تیل کو 70 ڈالر فی BBL فرض کیا ہے جس سے مجموعی صارفی قیمت کا انڈیکس (CPI) بلند سطح پر رہے گا۔

پروگرام پر دستخط کر دیئے جس سے خارجی میدان میں تمام غیر یقینیوں کا خاتمہ ہو گیا۔ 6. 2 بلین ڈالر کا اسٹاف لیول معاہدہ تین برسوں کی مدت کے لیے عمل میں آیا۔

مالی سال 2019ء میں صارفی قیمت کے انڈیکس (CPI) کے مطابق افراط زر مزید تیز رفتار ہو کر 7.3 فیصد کے اوسط تک پہنچ گئی جبکہ گزشتہ سال یہ اوسط 3.9 فیصد تھا۔ افراط زر میں اضافے میں یوٹیلٹی کے بلند تر نرخ، خاص طور پر گیس کی قیمتوں میں (64 فیصد YoY) اضافہ اور پٹرول کی قیمتوں میں (23 فیصد YoY) اضافہ سرگرم عمل ہیں۔ سبسڈیز کے خاتمے کے حکومتی اقدام سے یوٹیلٹی کے نرخ میں ترمیم کا موقع ملا، جبکہ پٹرول کی قیمتوں میں ترمیم دوران سال روپے کی قدر ڈالر کے مقابلے میں 30 سے زائد فیصد گر جانے کے بعد کی گئی۔ اسی طرح، روپے کی قدر میں کمی کے سبب رفتار اثر کے نتیجے میں افراط زر مالی سال کے نصف ثانی میں شدید تر ہو کر 8.6 فیصد اوسط تک پہنچ گئی جبکہ نصف اول میں 0.6 فیصد تھی۔ افراط زر پر قابو پانے اور گلاں معاشیاتی غیر متوازن عناصر میں استحکام پیدا کرنے کے لیے مرکزی بینک نے مالیاتی سختی کا عمل جاری رکھتے ہوئے انٹریسٹ کی شرحوں میں دوران سال 575 بیسیس پوائنٹس (bps) کا اضافہ کیا۔

حکومت کے مالیاتی اعداد میں پسماندگی کا سلسلہ جاری رہا اور مالیاتی خسارہ GDP کے 8.9 فیصد تک پہنچ گیا جس کی نظیر نہیں ملتی۔ گل آمدنی میں دوران سال 6 فیصد کمی ہوئی جس کا سبب غیر ٹیکس آمدنی میں دوران مدت 44 فیصد سنگین گراؤ ہے۔ روپے کی قدر میں کمی کے باعث مرکزی بینک کو زرمبادلہ کے خطیر خسارہ جات کا سامنا ہوا اور SBP سے اضافی منافع کے گنجائش تقریباً صفر ہو گئی۔ ٹیکس وصولی بھی مایوس کن رہی کیونکہ گزشتہ بجٹ میں اعلان کردہ ٹیکس استثنائات اور مجموعی طور پر کمزور معیشت کے باعث YoY وصولی میں کوئی اضافہ نہیں ہوا۔ دوسری جانب ترقیاتی خرچ میں 25 فیصد کمی کرنے کے باوجود گل اخراجات میں 11 فیصد اضافہ ہوا۔ اخراجات کے اضافے کو کرنٹ اخراجات میں اضافے نے مزید ہوا دی جس کا اہم سبب انٹریسٹ کی شرحوں میں اضافے کے سبب ادائیگی قرض میں 40 فیصد YoY اضافہ ہے۔ حکومت نے اپنے خسارے کی تلافی کے لیے مقامی ذرائع پر انحصار کیا کیونکہ سال کے اکثر حصے کے دوران آئی ایم ایف پروگرام کی عدم دستیابی کے باعث خارجی ذرائع (کثیر الجہتی ایجنسیاں) غیر مفید ہو گئے تھے۔ مقامی ذرائع میں حکومت نے سب سے زیادہ انحصار سینٹرل بینک پر کیا کیونکہ 3 ٹریلین روپے قرض میں سے تقریباً 70 فیصد کا انتظام SBP کے ذریعے کیا گیا۔

دوران مالی سال مرکزی بینک کی طرف سے تاحال سب سے زیادہ مالیاتی سختی کے باعث بازار زر کا پیداواری خم بلندی کی طرف مائل ہوا۔ SBP نے بڑھتی ہوئی افراط زر، جڑواں خساروں اور زرمبادلہ کے گھٹتے ہوئے ذخائر کو پالیسی سے متعلق فیصلوں کے عوامل قرار دیا۔ مالی سال کے نصف اول میں خارجی میدان کے ساتھ ساتھ پالیسی کے غیر ترمیم شدہ فیصلوں سے متعلق خدشات نے مارکیٹ کے شرکاء کو طویل تر میعاد کے انٹرومنٹس سے دور رکھا۔ تاہم مالی سال کے اختتام کے قریب جب پالیسی کی ترمیمات پوری طرح نافذ ہو گئیں تب مارکیٹ کے شرکاء نے سکون کا سانس لیا جس کے نتیجے میں طویل تر میعاد کے بانڈز کی خطیر مانگ پیدا ہو گئی۔ حتیٰ کہ دس سالہ پاکستان انویسٹمنٹ بانڈز کی تجارت مختصر مدت کے سیکورٹی پیپرز کے مقابلے میں کافی پست سطح پر ہونے کے سبب پیداواری خم اوندھا ہو گیا۔

دوران سال SBP نے باقاعدہ نیلامیوں کا انعقاد کر کے فلوئنگ ریٹ بانڈز کے لیے مارکیٹ کی ترقی کی مسلسل کوشش کی۔ مرکزی بینک نے base ریٹ (6M ٹریژری بلز پیداوار) کے اوپر 70 سے 75 bps کریڈٹ اسپریڈ پر 714 بلین روپے کی مجموعی رقم قبول کی۔ دوسری جانب حکومت نے 314 بلین روپے کے اجارہ سٹاک مچور کیے جس کے سبب شریعت کی تعمیل پر مبنی مواقع کی کمی ہو گئی۔ تاہم گردش قرضے کے لیے رقم کی فراہمی کے لیے SBP نے خاص طور پر اسلامک بینکوں کے لیے base ریٹ کے اوپر 80 bps پر 200 بلین روپے کے پاکستان انرجی سٹاک متعارف کرائے۔ علاوہ ازیں، SBP کی طرف سے باقاعدہ OMOs کے انعقاد کی بدولت پوری مدت کے دوران نقدیت کی صورتحال تسلی بخش رہی۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

کراچی اسٹاک ایکسچینج (KSE) 100- انڈیکس میں تنازلی کا سلسلہ جاری رہا اور یہ 19.1 فیصد کم ہو گیا۔ معاشی سست روی اور پالیسی اقدامات میں تاخیر سے سرمایہ کاری کا ماحول متاثر ہوا جس کے نتیجے میں اعتماد کا بحران پیدا ہو گیا۔ خارجی میدان میں غیر یقینی صورتحال کے باعث غیر ملکی فریقوں نے

ڈائریکٹرز رپورٹ برائے سال ختمہ 30 جون 2019ء

ایم سی بی عارف حبیب سیونگ انڈائنویسٹمنٹس لمیٹڈ (MCBAH) کے بورڈ آف ڈائریکٹرز کی جانب سے 30 جون 2019ء کو اختتام پذیر ہونے والے سال کے لیے MCBAH کے معاملات پر رپورٹ پیش خدمت ہے۔

بنیادی کاروبار

کمپنی ایک غیر بینکاری مالیاتی ادارہ ہے جو سیکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے ریگولیٹری نظام کے تحت پنشن فنڈ مینیجر کے علاوہ Asset مینجمنٹ (اثاثہ جاتی انتظام کی) کمپنی اور انویسٹمنٹ ایڈوائزر (مشیر سرمایہ کاری) کے طور پر لائسنس شدہ ہے۔

کاروبار کا ماحول

معیشت اور بازار کا مجموعی جائزہ

پاکستان کی معیشت کو مالی سال 2019ء میں داخل ہوتے ہوئے بے شمار چیلنجز روڑے میں ملے، خاص طور پر ادائیگی کے توازن اور مالیات کی کمزور صورتحال۔ گلاں معاشیات کے غیر متوازن عناصر سے نمٹنے کے لیے مرکزی بینک نے چوکنے پالیسی اقدامات کیے جن کے نتیجے میں معاشی ترقی متاثر ہوئی۔ مجموعی ملکی پیداوار (GDP) کی ترقی ابتدائی تخمینوں کے مطابق سال گزشتہ (5.2 فیصد) کے مقابلے میں کم ہو کر 3.3 فیصد رہ گئی۔ تینوں بڑے شعبہ جات یعنی زراعت، صنعت اور سروسز سٹ روئی کا شکار ہوئے اور ان کی ترقی کی شرح بالترتیب 0.9 فیصد، 1.4 فیصد اور 4.7 فیصد رہی۔ اہم فصلوں کی نمو میں گراؤ کے سبب زرعی ترقی بھی پسماندگی کا شکار ہوئی جس کا اظہار گنے، کپاس اور چاول کی پیداوار میں بالترتیب 19.4 فیصد، 17.5 فیصد اور 3.3 فیصد کمی سے ہوتا ہے۔ صنعتی ترقی بھی کمزوری کا شکار ہوئی کیونکہ بڑے پیمانے کی پیداوار (LSM) مرکزی بینک کی گلاں معاشیاتی استحکام کے حصول کے لیے اختیار کردہ کانٹریکٹوری (حکومتی خرچ یا مالیاتی توسیع کی شرح میں کمی پر مبنی) پالیسیوں کا خمیازہ برداشت نہیں کر سکی۔ LSM میں 3.7 فیصد کمی ہوئی کیونکہ حکومتی خرچ اور درآمدات پر انحصار کرنے والی صنعتوں کو مانگ میں کمی کا سامنا ہوا۔ LSM کے اہم شعبہ جات میں گاڑیوں کے شعبے میں 11.7 فیصد اور لوہے اور اسٹیل کے شعبے میں 11.2 فیصد مانگ کا تضاد ہوا۔ تاہم سروسز کے شعبے نے معاشی ترقی کو کچھ حد تک ڈھال فراہم کی جس کا سہرہ فائننس اینڈ انشورنس (5.4 فیصد YoY ترقی) اور حکومتی سروسز (8.0 فیصد YoY ترقی) کے سر جاتا ہے۔ GDP کا ڈالر کے اعتبار سے حجم 280 بلین ڈالر تھا جو سال گزشتہ (315 بلین ڈالر) کے مقابلے میں 11 فیصد تضاد ہے۔

سال کے آغاز پر ہی پاکستان اپنی تاریخ کے سب سے بڑے ادائیگی کے توازن کے بحران کا شکار ہوا۔ اگرچہ اسے 19 بلین ڈالر کرنٹ اکاؤنٹ خسارے (CAD) اور 9 بلین ڈالر خارجی ادائیگی نو کا سامنا تھا لیکن یہ بحران شدت اختیار کر گیا کیونکہ غیر ملکی زرمبادلہ کے ذخائر صرف 10 بلین ڈالر رہ گئے تھے۔ مرکزی بینک کے بروقت پالیسی اقدام، خاص طور پر دوران سال روپے میں 32 فیصد ترمیم سے CAD پر قابو پانے میں مدد ملی۔ حقیقی مؤثر شرح مبادلہ (REER) جون 2018ء کے اصل سے زائد قدر کی سطح سے نیچے آئی اور اصل سے 10 فیصد کم قدر کی حامل ہو گئی۔ نتیجتاً CAD دوران سال 32.1 فیصد سکڑ کر 13.5 بلین ڈالر ہو گیا۔ اگرچہ برآمدات میں ترقی نہیں ہو سکی لیکن CAD میں بہتری کے اسباب تیل کے علاوہ والی اشیاء اور سروسز کی درآمدات میں 11.8 فیصد YoY (یورپ اور بیرون) کی اور ترسیلات زرمیں 9.7 فیصد YoY اضافہ ہے۔ پاکستان کے دوستانہ حلیفوں سے مادی درآمدات زر (10 بلین ڈالر) حاصل کرنے میں کامیابی کے بعد ادائیگی قرض میں کوتاہی بھی ٹل گئی۔ اگرچہ CAD میں کمی کے ساتھ ساتھ رقوم کی دوطرفہ آمدورفت سے ادائیگی کے توازن کا کچھ سانس بحال ہوا لیکن خارجی بحران کی شدت کے باعث اسٹیٹ بینک آف پاکستان (SBP) کے غیر ملکی زرمبادلہ کے ذخائر 2.5 بلین ڈالر کم ہو کر 7.5 بلین ڈالر رہ گئے۔ علاوہ ازیں، ماہ مئی 2019ء کے دوران پاکستان نے بالآخر آئی ایم ایف

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019**

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. NASIM BEG	3	26,322	0.04
MIAN MOHAMMAD MANSHA	1	500	0.00
MR. MUHAMMAD SAQIB SALEEM	1	500	0.00
MIRZA QAMAR BEG	1	500	0.00
HAROUN RASHID	1	500	0.00
AHMED JAHANGIR	1	500	0.00
ABDUS SAMAD	2	504	0.00
Associated Companies, undertakings and related parties			
MCB BANK LIMITED - TREASURY	1	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	1	21,664,167	30.09
ADAMJEE INSURANCE COMPANY LIMITED	1	5,462,000	7.59
Executives	-	-	-
Public Sector Companies and Corporations	1	70	0.00
Banks, development finance institutions, non-banking finance companies, insurance companies, takaful, modarabas and pension funds	1	11,470	0.02
Mutual Funds			
CDC - TRUSTEE NIT-EQUITY MARKET OPPORTUNITY FUND	1	900,000	1.25
General Public			
a. Local	850	3,133,136	4.35
b. Foreign	1	4	0.00
Foreign Companies	1	2,961,000	4.11
Others	13	882,059	1.23
Totals	881	72,000,000	100.00

Share holders holding 5% or more	Shares Held	Percentage
MCB BANK LIMITED - TREASURY	36,956,768	51.33
ARIF HABIB CORPORATION LIMITED	21,664,167	30.09
ADAMJEE INSURANCE COMPANY LIMITED	5,462,000	7.59

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2019**

No. of Shareholders	Shareholdings' Slab			Total Shares Held
281	1	to	100	3,972
116	101	to	500	37,197
201	501	to	1000	135,814
183	1001	to	5000	400,550
36	5001	to	10000	287,987
19	10001	to	15000	238,527
13	15001	to	20000	244,500
4	20001	to	25000	88,938
3	25001	to	30000	87,500
1	30001	to	35000	35,000
2	35001	to	40000	75,500
1	40001	to	45000	42,500
1	50001	to	55000	52,900
3	55001	to	60000	176,800
2	75001	to	80000	154,880
1	90001	to	95000	92,000
1	110001	to	115000	111,000
1	125001	to	130000	128,000
1	160001	to	165000	165,000
1	180001	to	185000	183,500
1	195001	to	200000	200,000
1	220001	to	225000	225,000
1	225001	to	230000	227,000
1	325001	to	330000	330,000
1	330001	to	335000	332,000
1	895001	to	900000	900,000
1	2960001	to	2965000	2,961,000
1	5460001	to	5465000	5,462,000
1	21660001	to	21665000	21,664,167
1	36955001	to	36960000	36,956,768
881				72,000,000

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

The Company has complied with the requirements of the Regulations in the following manner:

1. As at June 30 2019, the total number of directors are seven as per the following:
 - (a) Male: 7
 - (b) Female: 0
2. As at June 30 2019, the composition of Board is as follows:
 - (a) Independent Directors: 2
 - (b) Other Non-executive Directors: 4
 - (c) Executive Directors (CEO): 1
3. The Directors have confirmed that none of them is serving as a director on more than five listed companies, including this Company (excluding the listed subsidiaries of listed holding companies where applicable).
4. The Company has prepared a Code of Conduct and has ensured that appropriate steps have been taken to disseminate it throughout the company along with its supporting policies and procedures.
5. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
6. All the powers of the Board have been duly exercised and decisions on relevant matters have been taken by Board/ Shareholders as empowered by the relevant provisions of the Act and these Regulations.
7. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose. The Board has complied with the requirements of Act and the Regulations with respect to frequency, recording and circulating minutes of meeting of Board.
8. The Board of directors has a formal policy and transparent procedures for remuneration of Directors in accordance with the Act and these Regulations.
9. The Board has arranged Directors' Training Program for the following:

<u>Name of Director</u>	<u>Status</u>
Mr. Ahmed Jahangir	Non-Executive Director
Mr. Samad A. Habib	Non-Executive Director
Mr. Mirza Qamar Beg	Independent Director
Mr. Muhammad Saqib Saleem	Chief Executive Officer

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment and complied with relevant requirements of the Regulations.
11. Chief Financial Officer and Chief Executive Officer have duly endorsed the financial statements before approval of the Board.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017

12. The Board has formed committees comprising of members given below:

(a) Audit Committee

Name of Director	Status
Mr. Haroun Rashid	Chairman
Mr. Ahmed Jahangir	Member
Mr. Nasim Beg	Member
Mr. Mirza Qamar Beg	Member

(b) Human Resource and Remuneration Committee

Name of Director	Status
Mr. Mirza Qamar Beg	Chairman
Mr. Haroun Rashid	Member
Mr. Ahmed Jahangir	Member
Mr. Nasim Beg	Member
Mr. Muhammad Saqib Saleem (CEO)	Member

(c) Risk Management Committee

Name of Director	Status
Mr. Mirza Qamar Beg	Chairman
Mr. Ahmed Jahangir	Member
Mr. Nasim Beg	Member

13. The terms of reference of the aforesaid Committees have been formed, documented and advised to the Committee for compliance.

14. The frequency of meetings of the committees was as per following:

(a) Audit Committee: Minimum quarterly meetings of the Audit Committee were held, the details of which are as under:

Sr. No.	Particulars of Meeting	Date of Meetings
1.	1 st meeting of the Committee for the year	September 12, 2018
2.	2 nd meeting of the Committee for the year	September 13, 2018
3.	3 rd meeting of the Committee for the year	October 17, 2018
4.	4 th meeting of the Committee for the year	October 18, 2018
5.	5 th meeting of the Committee for the year	February 14, 2019
6.	6 th meeting of the Committee for the year	February 15, 2019
7.	7 th meeting of the Committee for the year	April 17, 2019
8.	8 th meeting of the Committee for the year	April 18, 2019
9.	9 th meeting of the Committee for the year	May 17, 2019

**STATEMENT OF COMPLIANCE WITH
LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017**

(b) Human Resource and Remuneration Committee: The HR&R Committee met once during the year, the details of which are as under:

<u>Sr. No.</u>	<u>Particulars of Meeting</u>	<u>Date of Meetings</u>
1.	15 th meeting of the Committee	September 14, 2018

(c) Risk Management Committee: The Risk Management Committee met once during the year, the details of which are as under:

<u>Sr. No.</u>	<u>Particulars of Meeting</u>	<u>Date of Meetings</u>
1.	1 st meeting of the Committee	September 24, 2018

15. The Board has set up an effective Internal Audit function which is considered suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company.
16. The Statutory Auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the ICAP and registered with Audit Oversight Board of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the Firm and all its Partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.
17. The Statutory Auditors or the persons associated with them have not been appointed to provide other services except in accordance with the Act, these regulations or any other regulatory requirement and the Auditors have confirmed that they have observed IFAC guidelines in this regard.
18. The Company is following the requirements and regulations laid down in section 208 of the Companies Act, 2017 except for the definition of "Related Party", compliance of which is dependent on the clarification from Securities and Exchange Commission of Pakistan. The Company has presented the details of all related party transactions as disclosed in the financial statements before the Audit Committee and upon their recommendation to the Board for review and approval.
18. We confirm that all other requirements of the Regulations have been complied with.



MIAN MUHAMMAD MANSHA
Chairman – Board of Directors
MCB-Arif Habib Savings & Investments Limited

REVIEW REPORT TO THE MEMBERS STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017



KPMG Taseer Hadi & Co.
Chartered Accountants
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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of MCB Arif Habib Savings and Investments Limited

Review report on the Statement of Compliance contained in Listed Companies (Code of Corporate Governance) Regulations, 2017

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2017 ("the Regulations") prepared by the Board of Directors of **MCB Arif Habib Savings and Investments Limited** ("the Company") for the year ended 30 June 2019 in accordance with the requirements of regulation 40 of the Regulations.

The responsibility for compliance with the Regulations is that of the Board of Directors of the Company. Our responsibility is to review whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Regulations and report if it does not and to highlight any non-compliance with the requirements of the Regulations. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Regulations.

As a part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board of Directors' statement on internal control covers all risks and controls or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

The Regulations require the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board of Directors for their review and approval, its related party transactions and also ensure compliance with the requirements of section 208 of the Companies Act, 2017. We are only required and have ensured compliance of this requirement to the extent of the approval of the related party transactions by the Board of Directors upon recommendation of the Audit Committee. We have not carried out procedures to assess and determine the Company's process for identification of related parties and that whether the related party transactions were undertaken at arm's length price or not.

REVIEW REPORT TO THE MEMBERS STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2017



KPMG Taseer Hadi & Co.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the requirements contained in the Regulations as applicable to the Company for the year ended 30 June 2019.

A handwritten signature in black ink, appearing to read 'KPMG Taseer Hadi & Co.', is written above a horizontal line.

KPMG Taseer Hadi & Co.
Chartered Accountants
Karachi

Date: 27 September 2019

FINANCIAL & BUSINESS HIGHLIGHTS

		2014	2015	2016	2017	2018	2019
Pre tax Margin	%	41	51	46	36	27	12
Net Margin	%	31	36	31	25	17	3
Performance							
Return on assets	%	11	14	11	9	6	1
Return on equity	%	12	19	15	13	8	2
Leverage							
Gearing (T-Debt:Equity)	times	0.19	0.34	0.40	0.43	0.43	0.40
Interest Coverage Ratio	times	N/A	65.03	770.06	474.94	479.53	20.75
Liquidity							
Current Ratio	times	4.17	2.63	2.38	2.08	2.09	2.16
Valuation							
Earnings per share	Rs.	2.54	3.87	3.32	2.81	1.72	0.34
No. of ordinary shares (no. in millions)		72	72	72	72	72	72
Historical trend							
Management fee (Rs. in million)		511	640	704	664	702	731
Operating profit [PBIT] (Rs. in million)		239	399	350	287	197	89
Profit before tax (Rs. in million)		239	393	350	286	197	85
Profit after tax (Rs. in million)		183	279	239	202	124	24
Share capital (Rs. in million)		720	720	720	720	720	720
Shareholders equity (Rs. in million)		1,354	1,505	1,549	1,580	1,568	1,462
Total assets (Rs. in million)		1,608	2,019	2,174	2,264	2,244	2,044

AUDITOR'S REPORT TO THE MEMBERS



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INDEPENDENT AUDITORS' REPORT

To the Members of MCB Arif Habib Savings and Investments Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the annexed financial statements of **MCB Arif Habib Savings and Investments Limited** ("the Company"), which comprise the statement of financial position as at 30 June 2019, and the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and we state that we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of the audit.

In our opinion and to the best of our information and according to the explanations given to us, the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes forming part thereof conform with the accounting and reporting standards as applicable in Pakistan and give the information required by the Companies Act, 2017 (XIX of 2017), in the manner so required and respectively give a true and fair view of the state of the Company's affairs as at 30 June 2019 and of the profit and comprehensive income, the changes in equity and its cash flows for the year then ended.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Following are the Key audit matters:

S. No.	Key audit matters	How the matter was addressed in our audit
1	Assessing potential impairment of goodwill and management rights Refer note 3.1.3 and 5.3 to the financial statements for the accounting policy and details of goodwill and management rights respectively. As mentioned in note 5.3 to the financial statements, carrying value of goodwill and management rights at 30 June 2019 amounted to Rs. 82.1 million and Rs. 192 million respectively. The Company annually tests the carrying values of Goodwill and management rights having indefinite useful lives for impairment. We identified impairment of goodwill and management rights as a key audit matter because of its significance to the financial statements, involvement of significant degree of judgment and estimation, particularly in forecasting future cash flows, the discount rate applied in calculating the present value of future cash flows and the expected terminal growth rate applied to the cash flows, all of which can be inherently uncertain.	 Our audit procedures to test the potential impairment of goodwill and management rights included the following: <ul style="list-style-type: none">• Assessing management's identification of Cash Generating Unit;• Involved our internal valuation specialist to assist in evaluating the appropriateness of assumptions applied to key inputs such as management remuneration, operating costs, discount rate and terminal growth rate, which included comparing these inputs with externally derived data as well as our knowledge of the client and the industry; and• Evaluated the adequacy of the financial statements disclosures, including disclosures of key assumptions, judgments and sensitivities.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the Company's Annual Report for 2019, but does not include the financial statements and our auditors' report thereon.

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the Other Information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this Other Information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Board of Directors for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting and reporting standards as applicable in Pakistan and the requirements of Companies Act, 2017(XIX of 2017) and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

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

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

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

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

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

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

Report on Other Legal and Regulatory Requirements

Based on our audit, we further report that in our opinion:

- a) proper books of account have been kept by the Company as required by the Companies Act, 2017 (XIX of 2017);
- b) the statement of financial position, the statement of profit or loss, the statement of comprehensive income, the statement of changes in equity and the statement of cash flows together with the notes thereon have been drawn up in conformity with the Companies Act, 2017 (XIX of 2017) and are in agreement with the books of account and returns;
- c) investments made, expenditure incurred and guarantees extended during the year were for the purpose of the Company's business; and
- d) zakat deductible at source under the Zakat and Ushr Ordinance, 1980 (XVIII of 1980), was deducted by the company and deposited in the Central Zakat Fund established under section 7 of that Ordinance.

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

Date: 27 September 2019

Karachi

KPMG Taseer Hadi & Co.
Chartered Accountants

**STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

	Note	2019	2018
		(Rupees)	
ASSETS			
Non-current assets			
Fixed assets	5	384,958,637	400,730,566
Long-term investments	6	486,816,184	520,628,175
Long-term loans and prepayments	7	9,492,144	30,230,650
Long-term deposits		<u>4,487,188</u>	<u>3,089,228</u>
		885,754,153	954,678,619
Current assets			
Receivable from related parties	8	499,653,341	511,110,119
Loans and advances	9	9,968,368	7,072,270
Deposits, prepayments and other receivables	10	54,802,579	70,206,021
Accrued mark-up	11	181,212	200,207
Short-term investments	12	504,707,388	618,571,508
Advance tax - net of provisions	13	66,090,652	62,495,927
Cash and bank balances	14	23,165,617	19,491,053
		<u>1,158,569,157</u>	<u>1,289,147,105</u>
Total assets		<u>2,044,323,310</u>	<u>2,243,825,724</u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
72,000,000 (2018: 72,000,000) ordinary shares of Rs. 10 each		<u>720,000,000</u>	<u>720,000,000</u>
Issued, subscribed and paid-up share capital	15	720,000,000	720,000,000
Reserves		<u>742,226,313</u>	<u>847,536,132</u>
Total equity		<u>1,462,226,313</u>	<u>1,567,536,132</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability - net	17	42,342,682	54,837,186
Current liabilities			
Unclaimed dividend		4,256,938	4,203,632
Trade and other payables	18	535,497,377	617,248,774
Total liabilities		<u>582,096,997</u>	<u>676,289,592</u>
Total equity and liabilities		<u>2,044,323,310</u>	<u>2,243,825,724</u>
CONTINGENCIES AND COMMITMENTS			
	19		

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF PROFIT OR LOSS ACCOUNT
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019	2018
		(Rupees)	
Revenue			
Management fee / investment advisory fee	20	730,643,339	701,640,243
Processing and other related income		30,247,466	34,991,097
Profit on bank deposits under effective interest method	21	2,033,039	1,441,811
Dividend income		19,187,924	869,942
Realized gain / (loss) on sale of investments - net	22	6,295,869	(5,212,252)
Impairment loss on available-for-sale investments		-	(27,828,966)
Unrealized (loss) / gain on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(73,329,125)	10,638,208
		<u>715,078,512</u>	<u>716,540,083</u>
Expenses			
Administrative expenses	23	(574,940,730)	(458,558,671)
Selling and distribution expenses	24	(55,945,950)	(96,921,729)
Financial charges	25	(4,312,957)	(410,790)
Workers' welfare fund	26	(3,500,000)	(4,081,800)
		<u>(638,699,637)</u>	<u>(559,972,990)</u>
		76,378,875	156,567,093
Other income	27.1	10,815,337	40,075,004
Other expenses	27.2	(2,028,507)	(68,524)
Profit for the year before taxation		<u>85,165,705</u>	<u>196,573,573</u>
Taxation	28	(60,930,309)	(72,380,670)
Profit for the year		<u>24,235,396</u>	<u>124,192,903</u>
Earnings per share - basic and diluted	29	<u>0.34</u>	<u>1.72</u>

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

**STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

	Note	2019	2018
		(Rupees)	
Profit for the year after taxation		24,235,396	124,192,903
Other comprehensive income for the year			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Unrealized loss on re-measurement of investments classified as 'available-for-sale'	30	-	(42,248,274)
Transfer of unrealized loss to profit or loss account on impairment of available-for-sale investments		-	27,828,966
Related deferred tax	17.1	-	(2,338,670)
		-	(16,757,978)
Unrealized gain transferred to profit or loss account on disposal		-	6,563,770
		-	(10,194,208)
		24,235,396	113,998,695

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2019

	Issued, subscribed and paid-up capital	Capital			Reserves		Total	
		Share premium	Deficit arising on amalgamation	Sub-total	Unappropriated profit	Revenue		
						Unrealized gain on re-measurement of 'available for sale' financial assets		Sub-total
(Rupees)								
Balance as at 30 June 2017	720,000,000	396,000,000	(60,000,000)	336,000,000	203,615,334	319,922,103	523,537,437	1,579,537,437
Transactions with owners recorded directly in equity								
Final dividend for the year ended 30 June 2017 at Rs. 1.75 per share	-	-	-	-	(126,000,000)	-	(126,000,000)	(126,000,000)
Total comprehensive income for the year								
Profit after taxation for the year ended 30 June 2018	-	-	-	-	124,192,903	-	124,192,903	124,192,903
Other comprehensive income for the year ended 30 June 2018	-	-	-	-	-	(10,194,208)	(10,194,208)	(10,194,208)
Total comprehensive income for the year	-	-	-	-	124,192,903	(10,194,208)	113,998,695	113,998,695
Balance as at 30 June 2018	720,000,000	396,000,000	(60,000,000)	336,000,000	201,808,237	309,727,895	511,536,132	1,567,536,132
Adjustment on the initial application of IFRS 9	-	-	-	-	306,182,680	(309,727,895)	(3,545,215)	(3,545,215)
Balance as at 01 July 2018	720,000,000	396,000,000	(60,000,000)	336,000,000	507,990,917	-	507,990,917	1,563,990,917
Transactions with owners recorded directly in equity								
Final dividend for the year ended 30 June 2019 at Rs. 1.75 per share	-	-	-	-	(126,000,000)	-	(126,000,000)	(126,000,000)
Total comprehensive income for the year								
Profit after taxation for the year ended 30 June 2019	-	-	-	-	24,235,396	-	24,235,396	24,235,396
Other comprehensive income for the year ended 30 June 2019	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	24,235,396	-	24,235,396	24,235,396
Balance as at 30 June 2019	720,000,000	396,000,000	(60,000,000)	336,000,000	406,226,313	-	406,226,313	1,462,226,313

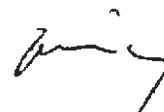
The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2019

	Note	2019	2018
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		85,165,705	196,573,573
Adjustments for non-cash and other items:			
Depreciation	23	20,153,110	17,734,861
Amortization	23	11,068,858	8,742,977
Impairment on leasehold improvement & furniture and fixtures	23	30,246,073	-
Financial charges	25	4,312,957	410,790
Unrealized loss / (gain) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		73,329,125	(10,638,208)
(Gain) / loss on sale of investments - net	22	(6,295,869)	5,212,252
Provision against advisory fee receivable	23	1,699,191	5,260,723
Loss on disposal of fixed assets - net	27	2,028,507	68,524
		136,541,952	26,791,919
Operating cash flows before working capital changes		221,707,657	223,365,492
Movement in working capital			
(Increase) / decrease in current assets			
Loans and advances		(2,896,098)	408,521
Deposits, prepayments and other receivables		13,704,251	(18,011,023)
Accrued mark-up		18,995	(127,398)
Receivable from related parties		11,456,778	(26,741,919)
		22,283,926	(44,471,819)
Decrease in current liabilities			
Trade and other payables		(81,751,397)	(8,796,618)
		162,240,186	170,097,055
Net cash generated from operations		162,240,186	170,097,055
Taxes paid		(20,546,061)	(61,322,046)
Financial charges paid		(4,312,957)	(410,790)
		(24,859,018)	(61,732,836)
Net cash flows from operating activities		137,381,168	108,364,219
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(125,946,694)	(126,072,024)
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(50,616,386)	(52,288,017)
Long-term loans and prepayments		20,738,506	(3,311,813)
Long-term deposits		(1,397,960)	1,505,510
Proceeds from disposal of fixed assets		2,103,989	75,000
Net proceeds against purchase and redemption of investments		21,411,941	72,525,681
Net cash flows from investing activities		(7,759,910)	18,506,361
Net increase in cash and cash equivalents		3,674,564	798,556
Cash and cash equivalents at the beginning of the year		19,491,053	18,692,497
Cash and cash equivalents at the end of the year	31	23,165,617	19,491,053

The annexed notes 1 to 43 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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 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 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.
- 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	
	2019	2018
	(Rupees in million)	
Open-end Collective Investment Schemes (CISs)		
Pakistan Income Fund	1,392	1,519
MCB Pakistan Stock Market Fund	9,556	10,113
MCB Pakistan Sovereign Fund	630	585
Pakistan Capital Market Fund	504	619
Pakistan Cash Management Fund	190	889
Pakistan Income Enhancement Fund	698	1,350
MCB Pakistan Asset Allocation Fund	2,048	3,213
MCB DCF Income Fund	3,933	4,872
MCB Cash Management Optimizer	13,903	11,993
MCB Pakistan Frequent Payout Fund	254	487
Alhamra Islamic Asset Allocation Fund	2,972	3,633
Alhamra Islamic Stock Fund	2,779	3,550
Alhamra Islamic Income Fund	2,335	2,715
Alhamra Islamic Active Asset Allocation Fund Plan - I	627	1,404
Alhamra Islamic Active Asset Allocation Fund Plan - II	708	794
Alhamra Daily Dividend Fund	752	502
Pension Funds		
Pakistan Pension Fund	1,559	1,572
Alhamra Islamic Pension Fund	813	774
Discretionary portfolio	34,237	32,106
The Company is also managing investments under discretionary and non discretionary portfolio management agreements, details of which are given below:		
Number of clients	61	78
Total portfolio at cost (Rs. in millions)	28,281	31,180
Total portfolio at market value (Rs. in millions)	26,826	30,681
Fee earned (Rs. in millions)	36	28

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 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 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) (latest available rating).

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

- International Financial Reporting Standards (IFRS) 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 VIII A 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).

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.

2.2 Consolidation of mutual funds by the asset management company

SECP through a notification no. SRO 56(1)/2016 dated 28 January 2016, has directed that the requirements of consolidation under section 228 of the Companies Act, 2017 and IFRS 10 "Consolidated Financial Statements" is not applicable in case of investment by companies in mutual funds established under Trust Structure. Accordingly, the aforesaid requirements have not been considered in the preparation of these financial statements.

2.3 Basis of measurement

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

2.4 Functional and presentation currency

These financial statements are presented in Pakistani Rupee, which is the Company's functional and presentation currency.

2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the accounting and reporting standards, as applicable in Pakistan, requires the management to make judgments, estimates and assumptions that affect the application of policies and the reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgments made by management in the application of the accounting and reporting standards, as applicable in Pakistan, that have the most significant effect on the amount recognized in these financial statements and estimates with a significant risk of material adjustments to the carrying amount of assets and liabilities in the future years are as follows:

- Property and equipment (Note 3.1)
- Intangible assets (Note 3.1)
- Impairment (Note 3.2.1.7)
- Provisions (Note 3.10)
- Receivables (Note 3.6)
- Taxation (Note 3.3)
- Classification of investments (Note 3.2.1.2)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

2.6 Change in accounting standards, interpretations and amendments to published approved accounting standards

a) Standards, interpretations and amendments to published approved accounting standards adopted by the Company

The Company has adopted IFRS 15 'Revenue from Contracts with Customers' and IFRS 9 'Financial Instruments' from 1 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed in note 4 below.

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

There are certain new standards, amendments to the approved accounting standards and new interpretations that are mandatory for accounting periods beginning on or after 1 July 2018 (other than those which have been disclosed in note 4 to these financial statements). However, these do not have any significant impact on the Company's financial reporting and therefore have not been detailed in these financial statements.

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

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

- IFRIC 23 'Uncertainty over Income Tax Treatments' (effective for annual periods beginning on or after 1 January 2019) clarifies the accounting for income tax when there is uncertainty over income tax treatments under IAS 12. The interpretation requires the uncertainty over tax treatment be reflected in the measurement of current and deferred tax. The application of interpretation is not likely to have an impact on Company's financial statements.
- IFRS 16 'Leases' (effective for annual period beginning on or after 1 January 2019). IFRS 16 replaces existing leasing guidance, including IAS 17 'Leases', IFRIC 4 'Determining whether an Arrangement contains a Lease', SIC-15 'Operating Leases- Incentives' and SIC-27 'Evaluating the Substance of Transactions Involving the Legal Form of a Lease'. IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognizes a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard i.e. lessors continue to classify leases as finance or operating leases. The management has completed an initial assessment of the potential impact of the standard on Company's lease arrangements. Based on the initial assessment, the Company is expected to recognise 'right of use assets' and 'lease liabilities' of Rs. 117.35 million and Rs. 112.14 million respectively as of 01 July 2019.
- Amendment to IAS 28 'Investments in Associates and Joint Ventures' - Long Term Interests in Associates and Joint Ventures (effective for annual period beginning on or after 1 January 2019). The amendment will affect companies that finance such entities with preference shares or with loans for which repayment is not expected in the foreseeable future (referred to as long-term interests or 'LTI'). The amendment and accompanying example state that LTI are in the scope of both IFRS 9 and IAS 28 and explain the annual sequence in which both standards are to be applied. The amendments are not likely to have an impact on Company's financial statements.
- Amendments to IAS 19 'Employee Benefits'- Plan Amendment, Curtailment or Settlement (effective for annual periods beginning on or after 1 January 2019). The amendments clarify that on amendment, curtailment or settlement of a defined benefit plan, a company now uses updated actuarial assumptions to determine its current service cost and net interest for the period; and the effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income. The application of amendments is not likely to have an impact on Company's financial statements.
- Amendment to IFRS 3 'Business Combinations' - Definition of a Business (effective for business combinations for which the acquisition date is on or after the beginning of annual period beginning on or after 1 January 2020). The IASB has issued amendments aiming to resolve the difficulties that arise when an entity determines whether it has acquired a business or a group of assets. The amendments clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments include an election to use a concentration test. The standard is effective for transactions in the future and therefore would not have an impact on past financial statements.
- Amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors (effective for annual periods beginning on or after 1 January 2020). The amendments are intended to make the definition of material in IAS 1 easier to understand and are not intended to alter the underlying concept of materiality in IFRS Standards. In addition, the IASB has also issued guidance on how to make materiality judgments when preparing their general purpose financial statements in accordance with IFRS Standards.
- On 29 March 2018, the International Accounting Standards Board (the IASB) has issued a revised Conceptual Framework for Financial Reporting which is applicable immediately contains changes that will set a new direction for IFRS in the future. The

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Conceptual Framework primarily serves as a tool for the IASB to develop standards and to assist the IFRS Interpretations Committee in interpreting them. It does not override the requirements of individual IFRSs and any inconsistencies with the revised Framework will be subject to the usual due process – this means that the overall impact on standard setting may take some time to crystallise. The companies may use the Framework as a reference for selecting their accounting policies in the absence of specific IFRS requirements. In these cases, companies should review those policies and apply the new guidance retrospectively as of 1 January 2020, unless the new guidance contains specific scope outs.

- 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 for annual period beginning on or after 1 January 2019 and are not likely to have an impact on the Company's financial statements.

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all the periods presented in these financial statements, except for the changes mentioned in note 4 to these financial statements.

3.1 FIXED ASSETS

3.1.1 Property and equipment

Items of property and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Subsequent costs are recognized as separate assets, as appropriate, only when it is probable that future economic benefits associated with the items will flow to the Company and the cost of the items can be measured reliably. All other repair and maintenance costs are charged to statement of profit or loss account as and when incurred.

Depreciation is charged at the rates specified in note 5.1 using the straight line method on all items of property and equipment. Depreciation is charged from the month the asset is available for use while no depreciation is charged in the month of disposal.

The residual values, useful lives and depreciation methods are reviewed at each reporting period and adjusted, if appropriate, to reflect the current best estimate.

3.1.2 Capital work-in-progress

All expenditure connected with specific assets incurred during installation and construction period are carried under capital work-in-progress. Items included in capital work-in-progress are stated at cost less accumulated impairment losses, if any. These are transferred to the relevant category of property and equipment as and when these become available for use.

3.1.3 Intangible assets

Intangible assets acquired separately are initially recognized at cost. Intangible assets acquired in a business combination are recognized at fair values as at the acquisition date.

The useful lives of intangible assets are assessed as either finite or indefinite.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3.1.3.1 Intangible assets with finite useful lives

After initial recognition, an intangible asset with finite useful life is carried at cost less accumulated amortization and accumulated impairment losses, if any. Amortization is charged at the rates specified in note 5.2 using the straight line method. Amortization begins from the month the asset is available for use and ceases in the month of disposal. The amortization period and amortization method are reviewed at each financial year-end and are adjusted, if appropriate, to reflect the current best estimate.

Subsequent costs are included in the asset's carrying amounts or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably.

3.1.3.2 Intangible assets with indefinite useful lives

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the cash-generating unit level. After initial recognition, these are stated at cost less accumulated impairment losses, if any.

Goodwill

Goodwill acquired in a business combination is recognized as of the acquisition date at the excess of consideration transferred over the acquisition date fair value of identifiable assets acquired and liabilities assumed. It represents future economic benefits arising from other assets acquired in the business combination that are not individually identified and separately recognized.

For the purpose of impairment testing, goodwill is allocated from the acquisition date to each of the entity's cash-generating units or group of cash-generating units that is expected to benefit from the synergies of the combination. Each unit or group of units to which goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Management rights

Management rights represent the present value of future cash flows relating to the management fee that would be earned by the Company assuming growth factors, based on the necessary market assumptions, on Assets Under Management (AUMs) acquired by the Company. This benefit also considers the fact that the economic lifetime of these AUMs is unlimited. Based on this assumption, the intangible asset has been valued using certain valuation techniques.

At the time of initial recognition, the fair value of management rights had been determined by the management using the multiple-period excess earnings method. Under this method, the value of a specific intangible asset is estimated from the residual earnings after fair returns on all other assets (if any) employed have been deducted from the asset's after-tax operating earnings.

Impairment

Goodwill and management rights impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of cash generating unit to which good will and management rights is allocated is compared to the recoverable amount, which is higher of value in use and the fair value less cost to sell. Any impairment is recognized immediately as an expense in the statement of profit or loss account and is not subsequently reversed.

3.2 Financial instruments

3.2.1 Financial assets

3.2.1.1 Classification (policies applicable before 1 July 2018)

The management determines the appropriate classification of its financial assets in accordance with the requirements of International Accounting Standard 39 (IAS 39), 'Financial Instruments: Recognition and Measurement' at the time of purchase of financial assets and re-evaluates this classification on a regular basis. The classification depends upon the purpose for which the financial assets are acquired. The financial assets of the Company are categorized as follows:

Held-for-trading investments

These are acquired principally for the purpose of generating profit from short-term fluctuations in prices.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

These are those non-derivative financial assets that are designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments, or (c) held for trading.

3.2.1.2 Classification (policies applicable after 1 July 2018)

On initial recognition, a financial asset is classified as measured at amortised cost or fair value through profit or loss (FVTPL).

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

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

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

3.2.1.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of profit or loss account.

3.2.1.4 Subsequent measurement (policies applicable before 1 July 2018)

Subsequent to initial recognition, financial assets are valued as follows:

'Held for trading' and 'available-for-sale financial assets'

Financial assets at fair value through profit or loss' and 'available-for-sale financial assets' are marked to market using the closing market rates and are carried on the balance sheet at fair values.

Net gains and losses arising on changes in the fair value of 'financial assets carried at fair value through profit or loss' are taken to the statement of profit or loss account.

Net gains and losses arising on changes in fair value of 'available-for-sale financial assets' are taken to other comprehensive income until these are derecognized. At this time, the cumulative gain or loss previously shown under other comprehensive income is transferred to statement of profit or loss account as capital gain / (loss).

'Loans and receivables'

Loans and receivables are carried at amortized cost.

3.2.1.5 Subsequent measurement (policies applicable after 1 July 2018)

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

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any profit / markup or dividend income, are recognised in statement of profit or loss account.
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Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Profit / markup income, foreign exchange gains and losses and impairment are recognised in profit or loss account.
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3.2.1.6 Impairment of financial assets (policies applicable before 1 July 2018)

The Company assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. When there is an objective evidence that an impairment loss has been incurred, the amount of loss is measured as follows:

Assets carried at amortized cost and loans and receivables

Impairment loss in respect of 'assets carried at amortized cost' and 'loans and receivables' is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of profit or loss account.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating) the reversal of the previously recognized impairment loss is recognized in the statement of profit or loss account.

Available-for-sale financial assets

Impairment loss in respect of financial assets classified as available-for-sale is recognized based on management's assessment of objective evidence of impairment as a result of one or more events that may have an impact on the estimated future cash flows of the investments. A significant or prolonged decline in the fair value of a listed equity investment below its cost is also considered an objective evidence of impairment. If any evidence for impairment exists, the cumulative loss (measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognized in the statement of profit or loss account) that had been recognized in other comprehensive income shall be reclassified from equity to the statement of profit or loss account as a reclassification adjustment even though the financial asset has not been derecognized.

3.2.1.7 Impairment of financial assets (policies applicable after 1 July 2018)

Financial assets at amortised cost

The Company applies simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all financial assets at amortized costs other than debts securities. When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets and are present separately in the statement of profit or loss account. The gross carrying amount of a financial asset is written off when when the Company has no reasonable expectations of recovering of a financial asset in its entirety or a portion thereof.

3.2.2 Financial liabilities

Financial liabilities are recognized at the time when the Company becomes a party to the contractual provisions of the instrument. These are initially recognized at fair value and subsequently stated at amortized cost.

3.2.3 Derecognition

Financial assets are derecognized at the time when the Company loses control of the contractual rights that comprise the financial assets. Financial liabilities are derecognized at the time when these are extinguished i.e. when the obligation specified in the contract is discharged, cancelled, or expires. Any gain or loss on derecognition of financial assets and financial liabilities is taken to the statement of profit or loss account.

3.3 Taxation

Current

Provision for current taxation is based on taxable income at the current rates of taxation after taking into account tax credits and rebates available, if any, and taxes paid under the final tax regime. The charge for the current tax also includes adjustments where necessary, relating to prior years which arise from assessments framed / finalized during the year.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Deferred

Deferred taxation is recognized using the balance sheet liability method on all major temporary differences arising between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences. A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilized. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates that have been enacted or substantially enacted by the end of the reporting period.

3.4 Impairment of non-financial assets

The carrying amounts of the Company's assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment loss. If such an indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss, if any. The resulting impairment loss is taken to the statement of profit or loss account except for the impairment loss on revalued assets, which is adjusted against related revaluation surplus to the extent that the impairment loss does not exceed the surplus arising on revaluation of that asset.

3.5 Employee benefits - defined contribution plan

The Company had been contributing to an approved funded provident fund for all its permanent employees until March 2013 after which the provident fund was wound up and contributions ceased.

Subsequently, from April 2013, the Company and its employees have been contributing to the Alhamra Islamic Pension Fund or Pakistan Pension Fund at the rate of 8.33% of basic salary on employees' discretion. These pension funds were established under the Voluntary Pension Scheme Rules, 2005 and the Company has been licensed to act as a pension fund manager of these funds. The Company's contribution along with employees' contribution are paid to the above mentioned pension funds.

3.6 Receivables

These are initially measured at the fair value of the consideration receivable. Subsequently, these are valued at amortized cost. These assets are written off when there is no reasonable expectation of recovery. Credit loss is based on the expected credit loss.

3.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. These include cash in hand, balances with banks in current and savings accounts and short-term highly liquid investments that are readily convertible to known amounts of cash (i.e. in three month) and which are subject to an insignificant risk of changes in value.

3.8 Trade and other payables

Liabilities for trade and other amounts payable are carried at cost, which is the fair value of consideration to be paid in the future for goods and services whether or not billed to the Company.

3.9 Revenue recognition

3.9.1 Management fee / investment advisory fee

- Remuneration for investment advisory and asset management services are recognized on an accrual basis. These are further disclosed in note 20 to the financial statements.
- Performance based remuneration for investment advisory services and management of discretionary portfolio are accrued once the terms of contract are honoured and the Company achieves the performance condition at the end of the period.

3.9.2 Processing fee and other related income

This is recognized once the services are provided to the unit holders in connection with their investments in collective investment schemes managed by the Company.

3.9.3 Profit on bank deposits and investments

Profit on bank deposits and on investments are recognized on an accrual basis at effective interest rates. Premium or discount on acquisition of investments is amortized through the statement of profit or loss account over the remaining period till maturity using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

3.9.4 Dividend income

Dividend income is recognized when the right to receive the dividend is established.

3.9.5 Gain / (loss) on sale of investments - net

Gains / (losses) arising on sale of investments are included in the statement of profit or loss account on the date at which the transaction takes place.

3.10 Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect current best estimate.

3.11 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are only offset and the net amount reported in the balance sheet when there is a legally enforceable right to set off the recognised amount and the Company intends to either settle on a net basis, or to realise the asset and settle the liability simultaneously.

3.12 Basic and diluted earnings per share

The Company presents basic and diluted earnings per share (EPS) for its shareholders. Basic EPS is calculated by dividing the statement of profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the statement of profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares, if any.

3.13 Proposed dividends and transfers between reserves

Dividends declared and transfers between reserves made subsequent to the reporting date are considered as non-adjusting events and are recognized in the financial statements in the period in which such dividends are declared / transfers are made.

3.14 Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing on the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of profit or loss account.

3.15 Commitments

Commitments are disclosed in the financial statements at committed amounts. Commitments denominated in foreign currencies are expressed in Rupee terms at the rates of exchange prevailing at the reporting date.

3.16 Segment reporting

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses that relates to transactions with any of the other components of the Company.

The Board of Directors and Chief Executive Officer have been identified as the chief operating decision-makers, who are responsible for allocating resources and assessing the performance of the operating segments. Currently, the Company is functioning as a single operating segment.

3.16.1 Geographical segment

The operations of the Company are currently based only in Pakistan.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

4. CHANGES IN ACCOUNTING POLICIES

The Company has adopted IFRS 9 'Financial instruments' and IFRS 15, 'Revenue from contracts with customers' became applicable from from 01 July 2018. The impact of the adoption of these standards and the new accounting policies are disclosed below.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is recognised when a customer obtains control of good or services. Determining the timing of the transfer of control - at a point in time or over time - requires judgement. The Company has applied the modified retrospective method upon adoption of IFRS 15 as allowed under the Standard. This method requires the recognition of the cumulative effect (without practical expedients) of initially applying IFRS 15 to retained earnings.

The Company provides fund management services and investment advisory services in respect of managing discretionary or non-discretionary portfolios for both individual and institutional clients. Management has concluded that revenue from the said services is recognised over time when the services are provided. Invoices are generated on a monthly / quarterly basis as per the terms of arrangements with the customers. However, performance based remuneration for investment advisory services are recorded at a point in time when the Company achieves the performance condition at the end of the contract period.

The above is generally consistent with the timing and amounts of revenue the Company recognised in accordance with the previous standard, IAS 18. Therefore, the adoption of IFRS 15 did not have an impact on the timing and amounts of revenue recognition of the Company. Apart from providing more extensive disclosures, the application of IFRS 15 has not had a significant impact on the financial position and / or financial performance of the Company for the reasons described above. Accordingly there was no adjustment to retained earnings on the application of IFRS 15 at 1 July 2018.

IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39, 'Financial Instruments: Recognition and Measurement'. The new standard brings fundamental changes to the accounting for financial assets and to certain aspects of the accounting for financial liabilities. As a result of adoption of IFRS 9, the Company has adopted consequential amendments to IAS 1, 'Presentation of Financial Statements', which requires separate presentation in the statement of profit or loss account and statement of other comprehensive income, profit / markup calculated using the effective interest method.

Additionally, the Company has adopted consequential amendments to IFRS 7, 'Financial Instruments: Disclosures' that are applied to disclosures about 2019, but have not been applied to the comparative information.

i. Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and fair value through profit or loss (FVTPL).

IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. The standard eliminates the previous IAS 39 categories of held for trading, held to maturity, loans and receivables and available-for-sale.

IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities. Therefore, its adoption did not have a significant effect on the Company's accounting policies related to financial liabilities. The impact of IFRS 9 on the classification and measurement of financial assets is set out below.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application:

- The determination of business model within which a financial asset is held; and
- The designation and revocation of previous designation of certain financial assets as measured at FVTPL.

A financial asset is measured at amortised cost if it meets both of the following conditions:

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

A debt investment is measured at FVOCI if it meets both of the following conditions:

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. On initial

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

A financial asset is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition.

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

Financial assets at FVTPL These assets are subsequently measured at fair value. Net gains and losses, including any interest / markup or dividend income, are recognised in the statement of profit or loss.

Financial assets at amortised cost These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see (ii) below). Interest / markup income, foreign exchange gains and losses and impairment are recognised in the statement of statement of profit or loss.

The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Company's financial assets as at 1 July 2018:

	Note	Original classification under IAS 39	New classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9
(Rupees)					
Long-term investments	(a)	Available-for-sale	Financial assets at FVTPL	520,628,175	520,628,175
Long-term loans	(b)	Loans and receivables	Amortised cost	5,328,732	5,328,732
Long-term deposits	(b)	Loans and receivables	Amortised cost	3,089,228	3,089,228
Receivable from related parties	(b)	Loans and receivables	Amortised cost	511,110,119	511,110,119
Loans and advances	(b)	Loans and receivables	Amortised cost	1,449,092	1,449,092
Deposits and other receivables	(b)	Loans and receivables	Amortised cost	23,052,575	23,052,575
Accrued mark-up	(b)	Loans and receivables	Amortised cost	200,207	200,207
Short-term investments	(a)	Available-for-sale	Financial assets at FVTPL	194,268,111	194,268,111
Short-term investments	(c)	Held for trading	Financial assets at FVTPL	424,303,397	424,303,397
Cash and bank balances	(b)	Loans and receivables	Amortised cost	19,491,053	19,491,053
				1,702,920,689	1,702,920,689

(a) In accordance with the transitional provisions of IFRS 9, since under the business model of the Company, investments contractual cash flows are not solely for principal and interest, short term and long-term investments previously classified as 'available-for-sale' have been reclassified as 'fair value through profit or loss'.

The Company has adopted modified retrospective restatement for adopting IFRS 9 and accordingly, all changes arising on adoption of IFRS 9 have been adjusted at the beginning of the current period. The effect of change in accounting policy is as follows:

	As reported at 30 June 2018	Change	As at 1 July 2018
(Rupees)			
Impact on Statement of Financial Position			
Investments - available for sale (long term)	714,896,286	(714,896,286)	-
Investments - held for trading (short term)	424,303,397	(424,303,397)	-
Investments at fair value through profit or loss	-	1,139,199,683	1,139,199,683
Provision against advisory fee receivable (other receivable)	5,260,723	4,993,261	10,253,984
Deferred tax liability - net	54,837,186	(1,448,046)	53,389,140
Impact on Statement of Changes in Equity			Rupees
Unappropriated profit as of 30 June 2018			201,808,237
Affect of the change due to the adoption of IFRS 9 - surplus on revaluation of investment			309,727,895
Additional impairment recognized due to the application of ECL model under IFRS 9			(4,993,261)
Deferred tax on additional impairment against advisory fee (other receivable)			1,448,046
Unappropriated profit as of 1 July 2018			507,990,917

There is no impact on the statement of profit or loss account, statement of comprehensive income and statement of cash flows as the Company has opted for modified retrospective approach as mentioned above.

(b) The financial assets classified as 'loans and receivables' have been classified as amortised cost as these are held by the company to collect contractual cash flows; and cash flows are solely payments of principal and interest.

(c) Short term investments previously classified as financial asset at FVTPL have been classified as FVTPL based on the fact disclosed in point (a) above.

Besides above reclassification, IFRS 9 does not have impact on Company's other accounting policies.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

ii. Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with an 'expected credit loss' (ECL) model. IFRS 9 introduces a forward looking expected credit losses model, rather than the current incurred loss model, when assessing the impairment of financial assets in the scope of IFRS 9. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments classified as at fair value through other comprehensive income, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

The Company has applied the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade and other receivables. Impairment losses related to trade and other receivables, are presented separately in the statement of profit or loss account. Trade and other receivables are written off when there is no reasonable expectation of recovery. Management has used actual credit loss experience over past years to base the calculation of ECL on the adoption of IFRS 9.

As explained above, the management has applied the modified retrospective method upon the adoption of IFRS 9 as allowed under the Standard. The cumulative effect representing the difference between the carrying amount before the adoption of IFRS 9 and the new carrying amount calculated in accordance with the standard at the beginning of the current year (i.e as of 1 July 2018), has been recognised in reserves (Unappropriated profit). The financial impact due to the adoption of the ECL model as explained above under IFRS 9 is as follows:

	Rupees
Loss allowance at 30 June 2018 under IAS 39	5,260,723
Additional impairment recognized due to the application of ECL model under IFRS 9	<u>4,993,261</u>
Loss allowance at 1 July 2018 under IFRS 9	<u><u>10,253,984</u></u>

	<i>Note</i>	2019	2018
(Rupees)			
5 FIXED ASSETS			
<i>Tangible</i>			
Property and equipment	5.1	76,673,909	92,902,785
Capital work in progress	5.2	-	1,900,586
		76,673,909	94,803,371
<i>Intangible assets</i>			
Computer software	5.3	34,157,795	31,800,262
Goodwill	5.3	82,126,933	82,126,933
Management rights	5.3	192,000,000	192,000,000
		308,284,728	305,927,195
		<u>384,958,637</u>	<u>400,730,566</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.1 Property and equipment

	2019					Total
	Computers	Office equipments	Furniture and fixtures	Leasehold improvements	Vehicles	
----- (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 / write off 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)
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 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
Depreciation rates (% per annum)	25%	20% - 50%	10%	10%	25%	
	2018					Total
	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	
----- (Rupees) -----						
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
Year ended 30 June 2018						
Opening net book value	9,558,975	12,889,626	12,308,671	52,313,623	-	87,070,895
Additions during the year	5,934,633	5,687,731	1,709,864	8,583,475	1,794,000	23,709,703
Disposals during the year						
Cost	(437,870)	(178,634)	-	-	-	(616,504)
Accumulated depreciation	395,676	77,876	-	-	-	473,552
	(42,194)	(100,758)	-	-	-	(142,952)
Depreciation for the year	(4,827,699)	(5,006,106)	(1,498,199)	(6,328,107)	(74,750)	(17,734,861)
Closing net book value	10,623,715	13,470,493	12,520,336	54,568,991	1,719,250	92,902,785
As at 30 June 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
Depreciation rates (% per annum)	25%	20% - 50%	10%	10%	25%	

5.1.1 The Company intends to relocate its head office and close few of its branches. Accordingly, based on the valuer's report, impairment loss against the earlier carrying value of the assets at its head office and said branches have been recorded by the Company.

5.1.2 There were no disposal of fixed assets during the year, whose aggregate book value exceeds Rs. 5 million.

5.1.3 Included in the cost of property and equipment are fully depreciated assets which are still in use aggregating to Rs. 55.097 million (2018: Rs. 46.801 million).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

5.2 Capital work in progress	2019	2018
	(Rupees)	
Opening balance	1,900,586	1,731,725
Additions during the year	2,553,414	6,894,729
Transferred to property and equipment	<u>(4,454,000)</u>	<u>(6,725,868)</u>
Closing balance	<u><u>-</u></u>	<u><u>1,900,586</u></u>

5.3 Intangible assets

	2019			
	Computer software	Goodwill	Management rights	Total
	(Rupees)			
As at 1 July 2018				
Cost	68,429,778	82,126,933	192,000,000	342,556,711
Accumulated amortization	<u>(36,629,516)</u>	-	-	<u>(36,629,516)</u>
Net book value	<u><u>31,800,262</u></u>	<u><u>82,126,933</u></u>	<u><u>192,000,000</u></u>	<u><u>305,927,195</u></u>
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	<u>(11,307,734)</u>	-	-	<u>(11,307,734)</u>
Closing net book value	<u><u>34,157,795</u></u>	<u><u>82,126,933</u></u>	<u><u>192,000,000</u></u>	<u><u>308,284,728</u></u>
As at 30 June 2019				
Cost	82,095,045	82,126,933	192,000,000	356,221,978
Accumulated amortization	<u>(47,937,250)</u>	-	-	<u>(47,937,250)</u>
Net book value	<u><u>34,157,795</u></u>	<u><u>82,126,933</u></u>	<u><u>192,000,000</u></u>	<u><u>308,284,728</u></u>
Amortization rates (% per annum)	<u><u>25%</u></u>			
	2018			
	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 amortization	<u>(27,886,539)</u>	-	-	<u>(27,886,539)</u>
Net book value	<u><u>12,133,786</u></u>	<u><u>82,126,933</u></u>	<u><u>192,000,000</u></u>	<u><u>286,260,719</u></u>
Year ended 30 June 2018				
Opening net book value	12,133,786	82,126,933	192,000,000	286,260,719
Additions during the year	28,409,453	-	-	28,409,453
Amortization for the year	<u>(8,742,977)</u>	-	-	<u>(8,742,977)</u>
Closing net book value	<u><u>31,800,262</u></u>	<u><u>82,126,933</u></u>	<u><u>192,000,000</u></u>	<u><u>305,927,195</u></u>
As at 30 June 2018				
Cost	68,429,778	82,126,933	192,000,000	342,556,711
Accumulated amortization	<u>(36,629,516)</u>	-	-	<u>(36,629,516)</u>
Net book value	<u><u>31,800,262</u></u>	<u><u>82,126,933</u></u>	<u><u>192,000,000</u></u>	<u><u>305,927,195</u></u>
Amortization rate (% per annum)	<u><u>25%</u></u>			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

5.3.1 In accordance with the requirements of IFRS 3: 'Business combinations', an acquiree shall measure goodwill acquired in a business combination, subsequent to initial recognition at cost less accumulated impairment losses, if any. Goodwill acquired in a business combination and intangible assets having indefinite useful life shall not be amortized, instead, they shall be tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired, in accordance with International Accounting Standard (IAS) 36: 'Impairment of Assets'. In addition, goodwill acquired in a business combination and intangible assets having indefinite useful lives shall be allocated to each of the acquirer's cash-generating unit (CGU) or a group of cash-generating units if they can be attributed directly, or allocated on a reasonable and consistent basis.

5.3.2 The recoverable amount for the purpose of assessing impairment of goodwill and management rights allocated to CGU is based on value in use. The calculations performed by the Company, are based on a five year plan approved for its business unit. Value in use is determined by discounting the estimated future cash flows to be generated from the continuing use of CGU, using a discount rate of 19.40% (2018: 16.97%) that reflects current market assessment of the time value of money and the risk specific to the asset. The management believes this to be a suitable time scale over which to review and consider annual performance before applying a fixed terminal value multiple of 6% (2018: 4%) to the final year cash flow of the detailed projections. Based on this exercise at 30 June 2019, recoverable amount of CGU exceeded the carrying amount.

5.3.3 Key assumptions used to determine the recoverable amounts

The growth rates used to estimate future performance of the business unit are based on a market participant's perspective and also take into account past performance. The management believes that any reasonable possible changes to the key assumptions on which calculation of recoverable amount is based, would not cause the carrying amount to exceed the recoverable amount. The calculation of value in use is most sensitive to the following assumptions:

- **Growth rate of assets under management**

Growth forecast is based on management's best estimates and also takes into account past trends.

- **Cost to income ratio**

Cost to income ratio for asset management business is based on management's best estimate and also takes into account past trends.

- **Discount rate**

The discount rate for the CGU is the cost of equity.

- **Terminal growth rate used to extrapolate the cash flows beyond the budgeted period**

It is based on the growth rate of cash flows during the explicit forecast period.

5.4 Depreciation and amortization is allocated as follows:

	Note	2019		2018	
		Depreciation	Amortisation	Depreciation	Amortisation
		----- (Rupees) -----		----- (Rupees) -----	
Charged to statement of profit or loss account	23	20,153,110	11,068,858	17,328,216	8,542,510
Charged to Collective Investment Schemes under management		434,922	238,876	406,645	200,467
		<u>20,588,032</u>	<u>11,307,734</u>	<u>17,734,861</u>	<u>8,742,977</u>

6 LONG-TERM INVESTMENTS

	Note	2019	2018
		(Rupees)	
Investments in units of pension schemes - related parties			
Financial assets at fair value through profit or loss	6.1	<u>486,816,184</u>	<u>520,628,175</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

6.1 Financial assets at fair value through profit or loss

Name of the Investee fund	As at 01 July 2018	Purchase / Redemption	As at 30 June 2019	As at 30 June 2019			As at 30 June 2018		
				Carrying amount (before revaluation)	Market value	Unrealized loss	Cost	Market value	Unrealized gain
				(Number of units)			(Rupees)		
Pakistan Pension Fund	805,305	-	805,305	255,569,563	245,136,795	(10,432,768)	102,112,651	255,569,563	153,456,912
Alhamra Islamic Pension Fund	876,129	-	876,129	265,058,612	241,679,389	(23,379,223)	108,787,629	265,058,612	156,270,983
				520,628,175	486,816,184	(33,811,991)	210,900,280	520,628,175	309,727,895

6.1.1 Previously classified as available-for-sale investments. The impact for reclassification is explained in note 4 of the financial statements.

7 LONG-TERM LOANS AND PREPAYMENTS

	Note	2019	2018
		(Rupees)	
Loans			
Secured - Considered good			
- to executives	7.1	7,848,761	6,768,513
- to other employees		5,711	9,311
Less: current portion of loans	9	(2,705,906)	(1,449,092)
		5,148,566	5,328,732
Prepayments			
Prepaid commission	7.2	27,269,553	64,666,681
Less: current portion	9	(22,925,975)	(39,764,763)
		4,343,578	24,901,918
		9,492,144	30,230,650

7.1 This includes interest-free loans amounting to Rs. 3.41 million for a period of 5 years given to executives as per the terms of employment for the purchase of motor vehicles. This also includes interest based housing finance loan amounting to Rs. 4.439 million (2018: NIL) given to an executive at the rate of 4.5% per annum for a period of 20 years secured against the mortgage of house. Based on month end balances, the maximum aggregate balance of loans to executives outstanding at any time during the year was Rs. 15.68 million (2018: Rs. 6.91 million).

Reconciliation of carrying amount of loans to executives is as follows:

	2019	2018
	(Rupees)	
Opening balance	6,768,513	4,172,381
Disbursements during the year	8,284,200	4,139,600
Repayments made during the year	(4,137,734)	(1,543,468)
Interest income on loan	354,834	-
Impact of discounting (on interest free / subsidized loan)	(3,421,052)	-
Closing balance	7,848,761	6,768,513

7.2 This represents commission paid on the issuance of bachat units of different funds under the management of the Company. The commission amount is amortized over the period of the contract, unless redeemed earlier, in which case it is charged off immediately. However, in this case certain amount is also recovered from the investor.

8 RECEIVABLE FROM RELATED PARTIES

	2019	2018
	(Rupees)	
Unsecured - considered good		
Pakistan Income Fund	11,216,556	10,866,481
MCB Pakistan Stock Market Fund	88,444,948	90,829,265
MCB Pakistan Sovereign Fund	34,012,893	33,674,865
Pakistan Capital Market Fund	7,785,923	7,636,924
Pakistan Pension Fund	9,756,371	8,981,026
Alhamra Islamic Pension Fund	4,281,943	4,457,700
Pakistan Cash Management Fund	11,933,267	12,243,335
Pakistan Income Enhancement Fund	22,460,182	22,778,551
Pakistan Sarmaya Mehfooz Fund	4,267,360	4,267,360
MCB Pakistan Asset allocation Fund	42,458,066	46,366,084
MCB Cash Management Optimizer	67,958,476	64,520,591
MCB DCF Income Fund	133,112,513	134,131,922
MCB Pakistan Frequent Payout Fund	4,921,786	5,058,058
Alhamra Islamic Stock Fund	14,253,415	16,349,173
Alhamra Islamic Asset Allocation Fund	16,923,708	21,112,138
Alhamra Islamic Income Fund	14,569,385	14,312,957
Alhamra Islamic Active Asset Allocation Fund - Plan I	74,698	190,781
Alhamra Islamic Active Asset Allocation Fund - Plan II	63,493	105,810
Alhamra Daily Dividend Fund	934,256	197,897
Other proposed fund	1,000,000	1,000,000
	490,429,239	499,080,918
Advisory fee on account of discretionary portfolio management		
Adamjee Life Assurance Company Limited	9,224,102	9,023,008
Other Receivable		
Adamjee Life Assurance Company Limited	-	2,500,000
Arif Habib Limited	-	506,193
	499,653,341	511,110,119

8.1 & 8.2

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 8.1** The above amounts represent receivable on account of management fee, federal excise duty, sales tax on management fee, sales load, conversion cost, reimbursement of expenses, selling and marketing expenses and other expenses paid on behalf of the related parties. This includes Federal Excise Duty (FED) amounting to Rs. 407.16 million (2018: Rs. 407.16 million) which are receivable from the funds / portfolios under its management. The matter is further explained in note 18.2 to the financial statements.
- 8.2** Above balances are mark-up free and unsecured. These are not past due except for the FED balances mentioned in note 8.1 nor impaired.
- 8.3** The related parties from whom the maximum aggregate amount outstanding at any time during the year (month-end balance) are as under:

	Note	2019 (Rupees)	2018
Pakistan Income Fund		<u>11,216,556</u>	12,001,943
MCB Pakistan Stock Market Fund		<u>88,444,948</u>	90,829,265
MCB Pakistan Sovereign Fund		<u>34,012,893</u>	33,961,939
Pakistan Capital Market Fund		<u>7,785,923</u>	7,636,924
Pakistan Pension Fund		<u>10,045,629</u>	8,981,026
Alhamra Islamic Pension Fund		<u>4,307,411</u>	4,830,275
Pakistan Cash Management Fund		<u>12,205,061</u>	12,670,559
Pakistan Income Enhancement Fund		<u>22,469,627</u>	23,357,620
Pakistan Sarmaya Mehfooz Fund		<u>4,267,360</u>	4,267,360
MCB Pakistan Asset allocation Fund		<u>43,425,239</u>	46,582,181
MCB Cash Management Optimizer		<u>67,958,476</u>	64,520,591
MCB DCF Income Fund		<u>133,961,945</u>	135,694,868
MCB Pakistan Frequent Payout Fund		<u>5,036,813</u>	6,631,659
Alhamra Islamic Stock Fund		<u>14,253,115</u>	16,349,173
Alhamra Islamic Asset Allocation Fund		<u>20,069,395</u>	21,112,138
Alhamra Islamic Income Fund		<u>14,777,593</u>	14,312,957
Alhamra Islamic Active Asset Allocation Fund - Plan I		<u>1,018,577</u>	190,781
Alhamra Islamic Active Asset Allocation Fund - Plan II		<u>63,493</u>	151,273
Alhamra Daily Dividend Fund		<u>1,236,501</u>	198,944
Other proposed fund		<u>1,000,000</u>	1,000,000
Adamjee Life Assurance Company Limited		<u>12,227,839</u>	11,523,008
Arif Habib Limited		<u>553,497</u>	506,193

9 LOANS AND ADVANCES

Secured - Considered good

Current portion of loans to employees 7 2,705,906 1,449,092

Advances - Considered good

Advance rent		<u>5,210,304</u>	4,309,271
Advances to employees		<u>36,220</u>	21,199
Advances to suppliers and contractors		<u>2,015,938</u>	1,292,708
		<u>7,262,462</u>	5,623,178
		<u>9,968,368</u>	7,072,270

10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Deposits

784,000 1,697,676

Prepayments

Current portion of prepaid commission against bachat unit	7	<u>22,925,975</u>	39,764,763
Insurance		<u>8,182,586</u>	5,144,565
Maintenance		<u>2,106,127</u>	776,324
Service level agreement		<u>2,100,711</u>	-
Software license		<u>856,882</u>	-
Registration fee		<u>68,505</u>	568,509
Others		<u>49,360</u>	899,285
		<u>36,290,146</u>	47,153,446

Other receivables

Advisory fee receivable on account of portfolio management		<u>29,295,374</u>	26,238,672
Others		<u>386,234</u>	376,950
		<u>29,681,608</u>	26,615,622
Provision against advisory fee receivable	10.1	<u>(11,953,175)</u>	(5,260,723)
		<u>54,802,579</u>	70,206,021

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

10.1 Movement in provision	<i>Note</i>	2019	2018
		(Rupees)	
Opening balance as on 1 July 2018		5,260,723	5,260,723
Additional impairment on initial application of IFRS 9	4	4,993,261	-
Adjusted balance as on 1 July 2018		10,253,984	5,260,723
Provision made during the year	23	1,699,191	-
Closing balance as on 30 June 2019		11,953,175	5,260,723

11 ACCRUED MARK-UP

This represents mark-up receivable on bank deposits.

12 SHORT-TERM INVESTMENTS - related parties

At fair value through profit or loss 12.1 **504,707,388** 618,571,508

12.1 At fair value through profit or loss

Name of the Investee Fund	Note	As at 01 July 2018	Purchases / dividend reinvested	Redemptions	As at 30 June 2019	As at 30 June 2019			As at 30 June 2018		
						Carrying value (before revaluation)	Market value	Unrealized loss	Carrying value (before revaluation)	Market value	Unrealized gain / (loss)
----- (Number of units) -----						----- (Rupees) -----					
MCB Cash Management Optimizer		4,005,352	35,673,026	(37,569,873)	2,108,505	212,000,020	212,000,020	-	413,665,189	424,303,397	10,638,208
MCB Pakistan Stock Market Fund	12.1.1	2,048,988	3,530,598	(2,351,670)	3,227,916	295,520,518	256,003,384	(39,517,134)	222,097,077	194,268,111	(27,828,966)
Alhamra Daily Dividend Fund		-	1,428,858	(1,061,818)	367,040	36,703,984	36,703,984	-	-	-	-
Alhamra Islamic Income Fund		-	3,790,181	(3,790,181)	-	-	-	-	-	-	-
Pakistan Islamic Enhancement Fund		-	17,649,726	(17,649,726)	-	-	-	-	-	-	-
Pakistan Asset Allocation Fund		-	647,478	(647,478)	-	-	-	-	-	-	-
Pakistan Cash Management Fund		-	4,261,643	(4,261,643)	-	-	-	-	-	-	-
Pakistan Sovereign Fund		-	4,270,255	(4,270,255)	-	-	-	-	-	-	-
MCB DCF Income Fund		-	5,996,050	(5,996,050)	-	-	-	-	-	-	-
						544,224,522	504,707,388	(39,517,134)	635,762,266	618,571,508	(17,190,758)

12.1.1 Previously above investments at 30 June 2018 were classified as available-for-sale investments. The impact for reclassification is explained in note 4 of the financial statements.

13 ADVANCE TAX - NET OF PROVISIONS	<i>Note</i>	2019	2018
		(Rupees)	
Advance tax		88,789,134	84,277,463
Income tax refundable	13.1	49,278,285	47,113,604
		138,067,419	131,391,067
Provision for taxation for the year	28	(71,976,767)	(68,895,140)
		66,090,652	62,495,927

13.1 Represents Income tax refundable as per the returns filed by the Company, except for the tax years 2010, 2011, 2017 and 2018, amounting to Rs. 27.9 million which is based on the assessment orders.

14 CASH AND BANK BALANCES

	<i>Note</i>	2019	2018
		(Rupees)	
Balances with banks in			
- saving accounts	14.1	13,873,514	15,262,022
- current accounts	14.2	9,287,051	4,212,024
		23,160,565	19,474,046
Cash in hand		5,052	17,007
		23,165,617	19,491,053

14.1 These represent deposits made with various commercial banks carrying profit rates ranging between 10.25% to 10.50% (2018: 2.80% to 6.00%) per annum. These also include balances in accounts maintained with related parties; MCB Bank Limited amounting to Rs. 9.018 million (2018: Rs. 10.689 million) which carries mark-up at the rate of 10.25% (2018: 5.50%) per annum and MCB Islamic Bank Limited amounting to Rs. 1.094 million (2018: Rs. 1.057 million) which carries mark-up at the rate of 4.60% (2018: 2.90%) per annum.

14.2 These represent balances in accounts maintained with conventional banks and include amounts placed with MCB Bank Limited (a related party) amounting to Rs. 4.078 million (2018: Rs. 4.025 million).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

15 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2019 (Number of shares)	2018		Note	2019 (Rupees)	2018
		Ordinary shares of Rs.10 each			
5,000,000	5,000,000	- Fully paid in cash		50,000,000	50,000,000
31,000,000	31,000,000	- Allotted as bonus shares		310,000,000	310,000,000
<u>36,000,000</u>	<u>36,000,000</u>	- Issued for consideration other than cash	16.1	<u>360,000,000</u>	<u>360,000,000</u>
<u>72,000,000</u>	<u>72,000,000</u>			<u>720,000,000</u>	<u>720,000,000</u>

15.1 Shares held by the related parties of the Company

Particulars of the shareholders	2019 (Number of shares)	2018
MCB Bank Limited	36,956,768	36,956,768
Arif Habib Corporation Limited	21,664,167	21,664,167
Adamjee Insurance Company Limited	5,462,000	5,462,000
Directors, spouses and their minor children	29,326	29,826
Others	1,200	1,200

15.2 There is no shareholder agreement for voting rights, board election, rights of first refusal and block voting.

16 DEFICIT ARISING ON AMALGAMATION

	Note	2019 (Rupees)	2018
Deficit arising on amalgamation	16.1	<u>60,000,000</u>	<u>60,000,000</u>

16.1 In accordance with the scheme of amalgamation of MCB Asset Management Company Limited (MCB AMC) and Arif Habib Investments Limited (AHIL), the entire undertaking of MCB AMC including all properties, assets, liabilities, receivables, payables and all other rights and obligations were transferred into and vested in the Company as on the effective date. As part of the Scheme, the Company issued and allotted 36 million ordinary shares of Rs. 10 each, as fully paid shares, to the registered ordinary shareholders of MCB AMC in the ratio of 1.2 ordinary shares of the Company for each share of Rs. 10 of MCB AMC as consideration. Deficit arising on amalgamation represents difference in share capital of AHIL and MCB AMC at the time of merger.

17 DEFERRED TAX LIABILITY - NET

	Note	2019 (Rupees)	2018
Deferred tax liability on taxable temporary differences			
- Intangible assets		56,787,409	55,700,838
Deferred tax asset on deductible temporary differences			
- Property and equipment		(5,046,559)	3,438,902
- Investments at fair value through profit or loss		(4,939,642)	(2,578,614)
- Provision against advisory fee		(3,466,421)	(1,723,940)
- Finance cost on interest free loans		(992,105)	-
		<u>(14,444,727)</u>	<u>(863,652)</u>
	17.1	<u>42,342,682</u>	<u>54,837,186</u>

17.1 Movement of deferred tax liability - net

	Balance as at 30 June 2017	Recognized in profit and loss account	Recognized in other comprehensive income	Balance as at 30 June 2018	Adjustment due to the initial application of IFRS 9	Adjusted balance as of 1 July 2018	Recognized in profit and loss account	Recognized in other comprehensive income	Balance as at 30 June 2019		
	2018			(Rupees)						2019	
Taxable temporary differences											
- Intangible assets	50,071,343	5,629,495	-	55,700,838	-	55,700,838	1,086,571	-	56,787,409		
	<u>50,071,343</u>	<u>5,629,495</u>	<u>-</u>	<u>55,700,838</u>	<u>-</u>	<u>55,700,838</u>	<u>1,086,571</u>	<u>-</u>	<u>56,787,409</u>		
Deductible temporary differences											
- Property and equipment	1,191,351	2,247,551	-	3,438,902	-	3,438,902	(8,485,461)	-	(5,046,559)		
- Investments at fair value through profit or loss	88,962	(2,667,576)	-	(2,578,614)	-	(2,578,614)	(2,361,028)	-	(4,939,642)		
- Provision against advisory fee	-	(1,723,940)	-	(1,723,940)	(1,448,046)	(3,171,986)	(294,435)	-	(3,466,421)		
- Finance cost on interest free loans	-	-	-	-	-	-	(992,105)	-	(992,105)		
- Available-for-sale investments	(2,338,670)	-	2,338,670	-	-	-	-	-	-		
	<u>49,012,986</u>	<u>3,485,530</u>	<u>2,338,670</u>	<u>54,837,186</u>	<u>(1,448,046)</u>	<u>53,389,140</u>	<u>(11,046,458)</u>	<u>-</u>	<u>42,342,682</u>		

17.2 Deferred tax balance has been recognized at the rate at which these are expected to be settled or realized.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

18	TRADE AND OTHER PAYABLES	Note	2019	2018
			(Rupees)	
	Accrued expenses		72,167,226	91,115,352
	Workers' welfare fund	18.1	29,069,050	25,569,050
	Withholding tax payable		927,724	1,767,302
	Indirect taxes and duties payable	18.2	411,742,319	408,073,171
	Payable to facilitators / distributors		21,591,058	90,723,899
			<u>535,497,377</u>	<u>617,248,774</u>

18.1 Workers' 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 on 12 January 2017. Further, as a consequence of passage of 18th Amendment to the Constitution, levy for Workers' Welfare was also introduced by the Government of Sindh (SWWF) which was effective from 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. 29 million with effect from 01 July 2014. Moreover, the management has decided not to reverse WWF amounting to Rs. 5.1 million which have been already paid to Tax Authority until the said amount is refunded back.

18.2 Federal Excise Duty (FED) payable on remuneration of the management company

This includes FED liability of Rs. 407.16 million referred in note 8.1 to the financial statements. As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company was applied, effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) on September 4, 2013 challenging the levy of FED. The Sindh High Court in its decision dated 16 July 2016 maintained the previous order passed against other constitutional petition whereby levy of FED has been declared to be 'Ultra Vires' the Constitution. The Deputy Commissioner Inland Revenue has filed an appeal against the said order in the Honorable Supreme Court of Pakistan considering which the previous balance of FED has not been reversed. However, since the appeal is pending in the court, as a matter of abundant caution, provision for FED of the aforesaid amount upto 30 June 2016 is being held.

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

19 CONTINGENCIES AND COMMITMENTS

19.1 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

- 19.3** 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.
- 19.4** 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.
- 19.5** 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.
- 19.6** 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.
- 19.7** 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.
- 19.8** 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.
- 19.9** 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

19.10 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 the 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.

20 MANAGEMENT FEE / INVESTMENT ADVISORY FEE	<i>Note</i>	2019	2018
		(Rupees)	
From Collective Investment Schemes - related parties			
MCB Cash Management Optimizer		118,850,335	92,168,157
MCB DCF Income Fund		66,415,548	92,974,053
MCB Pakistan Asset Allocation Fund		65,778,055	72,913,131
MCB Pakistan Frequent Payout Fund		5,074,415	7,558,987
MCB Pakistan Sovereign Fund		7,118,206	7,113,329
MCB Pakistan Stock Market Fund		251,670,368	237,048,344
Pakistan Cash Management Fund		2,295,459	4,948,020
Pakistan Capital Market Fund		13,037,848	14,242,527
Pakistan Income Enhancement Fund		13,117,632	21,304,989
Pakistan Income Fund		16,527,504	23,416,244
Alhamra Islamic Income Fund		27,858,122	19,711,998
Alhamra Islamic Stock Fund		69,966,226	72,800,197
Alhamra Islamic Asset Allocation Fund		81,400,879	56,364,912
Alhamra Active Asset Allocation Fund Plan I		497,556	938,601
Alhamra Active Asset Allocation Fund Plan II		154,103	477,814
Alhamra Daily Dividend Fund		5,474,379	377,613
		745,236,635	724,358,916
Pension schemes - related parties			
Alhamra Islamic Pension Fund		13,748,547	12,167,160
Pakistan Pension Fund		26,482,453	24,647,536
		40,231,000	36,814,696
	20.1	785,467,635	761,173,612
Investment advisory fee from discretionary and non discretionary portfolio management	20.2	40,159,338	31,679,863
		825,626,973	792,853,475
Less: Sindh sales tax		(94,983,634)	(91,213,232)
		730,643,339	701,640,243

20.1 Management fee from open-end Collective Investment Schemes is calculated by charging the specified rates on 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 year for determining the prices of the units of the sub-funds.

20.2 The Company is managing investments under discretionary portfolio management agreements. 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. Details of this portfolio are given in note 1.4 of these financial statements.

21 PROFIT ON BANK DEPOSITS

This represents income earned under interest / mark-up arrangements with conventional and islamic banks.

22 REALIZED GAIN ON SALE OF INVESTMENTS - NET	2019	2018
	(Rupees)	
Gain / (loss) on redemption of units of collective investment schemes	6,295,869	(5,212,252)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

23 ADMINISTRATIVE EXPENSES	Note	2019	2018
		(Rupees)	
Salaries, allowances and other benefits	23.2	359,059,977	278,284,829
Legal and professional charges		8,906,695	9,739,235
Travelling and conveyance charges		5,649,208	12,081,276
Rent, utilities, repairs and maintenance		96,206,859	83,872,525
Office supplies		1,345,291	1,144,874
Auditors' remuneration	23.3	2,515,000	2,395,000
Directors' meeting fee		5,700,000	4,700,000
Insurance		1,663,183	1,559,296
Depreciation	5.4	20,153,110	17,328,216
Amortization	5.4	11,068,858	8,542,510
Stamp duty and taxes		175,000	438,050
Registrar fee		446,290	558,811
Printing and stationery		4,825,803	3,742,303
Telephone expenses		5,097,120	7,252,445
Entertainment expenses		4,746,873	3,813,695
Books, periodicals and subscription		15,436,199	17,844,883
Provision against advisory fee receivable	10.1	1,699,191	5,260,723
Impairment on leasehold improvement & furniture and fixtures	5.1	30,246,073	-
		<u>574,940,730</u>	<u>458,558,671</u>

23.1 The SECP vide S.R.O No. 1160 (1) / 2015 dated 25 November 2015 introduced amendments in the NBFC Regulations 2008. As a result of these amendments, the management company may charge fees and expenses pertaining to registrar services, accounting, operations on CISs upto a maximum of 0.1% of average annual net assets of the scheme. Accordingly, expenses amounting to Rs. 44.61 million (2018: Rs. 48.96 million) have been charged by the Company to the respective Collective Investment Schemes (CISs) under its management during the year.

23.2 This amount includes contributions on behalf of the employees as employee benefits to pension funds managed by the Company (note 3.5) amounting to Rs. 10.9 million (2018: Rs 8.2 million).

23.3 Auditors' remuneration	Note	2019	2018
		(Rupees)	
Audit fee		2,028,750	1,950,000
Half yearly review fee		290,000	290,000
Fee for the review of compliance with the best practices of the Code of Corporate Governance		80,000	80,000
Out of pocket expenses		116,250	75,000
		<u>2,515,000</u>	<u>2,395,000</u>

24 SELLING AND DISTRIBUTION EXPENSES

Commission expense	24.1 & 24.2	37,744,284	52,061,177
Marketing and other expenses		18,201,666	44,860,552
		<u>55,945,950</u>	<u>96,921,729</u>

24.1 This includes an amount of Rs. 47.058 million (2018: Rs. 53.607 million) pertaining to MCB Bank Limited (a related party).

24.2 SECP vide its Circular 40/2016 dated 30 December 2016, prescribed certain conditions on Asset Management Companies (AMCs) 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. The said condition was amended through Circular No. 5 of 2018 dated 4 June 2018, according to which an AMC may charge selling and marketing expenses to all types of open end mutual funds except for Fund of Funds and Money Market Funds against the cost pertaining to opening and maintenance of all branches in all cities. Maximum cap of selling and marketing expenses shall be 0.4% per annum of net assets of fund or actual expenses, whichever is lower. Under this circular, expenses amounting to Rs. 85.277 million (2018: 78.909 million) have been charged by the Company to funds under its management during the year.

25 FINANCIAL CHARGES	Note	2019	2018
		(Rupees)	
Bank charges		891,905	410,790
Finance cost on interest free loans	7.1	3,421,052	-
		<u>4,312,957</u>	<u>410,790</u>

26 WORKERS' WELFARE FUND

Workers' welfare fund		<u>3,500,000</u>	<u>4,081,800</u>
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

27 OTHER INCOME AND OTHER EXPENSES	Note	2019	2018
		(Rupees)	
27.1 Other income:			
<i>Income from financial instruments</i>			
Liability no longer payable written back		10,000,000	11,800,000
Reversal of provision against selling and marketing		-	21,737,559
		<u>10,000,000</u>	<u>33,537,559</u>
<i>Income from non-financial instruments</i>			
Sale of software right to a related party		-	5,000,000
Others		815,337	1,537,445
		<u>815,337</u>	<u>6,537,445</u>
		<u>10,815,337</u>	<u>40,075,004</u>

27.2 Other expenses

Net loss on disposal of fixed assets	27.1.1	<u>(2,028,507)</u>	<u>(68,524)</u>
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27.1.1 This includes gain of Rs. 1.413 million on disposal of a fully depreciated vehicle to a director of the Company.

28 TAXATION	Note	2019	2018
		(Rupees)	
Current		71,662,718	65,586,803
Prior		314,049	3,308,337
		<u>71,976,767</u>	<u>68,895,140</u>
Deferred	17.1	<u>(11,046,458)</u>	3,485,530
	28.1	<u>60,930,309</u>	<u>72,380,670</u>

28.1 Relationship between income tax expense and accounting profit

Accounting profit for the year before taxation		85,165,705	196,573,573
Tax at the applicable rate of 29% (2018: 30%)		24,698,054	58,972,072
Change in rate		-	511,648
Tax effect of income taxed at lower rate		14,392,296	4,098,792
Inadmissible expenses		4,533,478	1,398,907
Permanent differences (difference because of minimum tax)		16,992,432	4,090,915
Prior year tax		314,049	3,308,337
		<u>60,930,309</u>	<u>72,380,670</u>

28.2 The income tax returns upto the tax year 2018 have been filed under the self assessment scheme and are deemed to be finalized under section 120 of the Income Tax Ordinance, 2001. Deemed assessments for certain tax years have been amended by the department on account of various issues as explained in note 19 to the financial statements.

28.3 Under the Income Tax Ordinance, 2001, every public company other than a scheduled bank or a modaraba, is required to pay tax at 5% of its accounting profit before tax if it does not distribute at least 20 percent of its after tax profits within six months of the end of the tax year through cash.

The Board of Directors in their meeting held on 13 September 2019, have recommended sufficient cash dividend for the year ended 30 June 2019 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which complies with the above stated requirements. Accordingly, no provision for tax on undistributed profit has been recognised in these financial statements for the year ended 30 June 2019.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

29 EARNINGS PER SHARE

29.1 Basic

Earnings per share has been computed by dividing profit after taxation for the year by the weighted average number of ordinary shares outstanding during the year:

	2019	2018
	(Rupees)	
Profit for the year after taxation	<u>24,235,396</u>	<u>124,192,903</u>
	(Number of shares)	
Weighted average number of ordinary shares outstanding during the year	<u>72,000,000</u>	<u>72,000,000</u>
	(Rupees)	
Basic earnings per share	<u>0.34</u>	<u>1.72</u>

29.2 Diluted

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2019 and 2018 which would have any effect on the earnings per share if the option to convert is exercised.

30 NET UNREALISED GAIN / (LOSS) ON RE-MEASUREMENT OF INVESTMENTS CLASSIFIED AS 'AVAILABLE-FOR-SALE'

	Note	2019	2018
		(Rupees)	
Long-term Investments:			
Market value of investments		-	520,628,175
Less: Carrying value of investments		-	(210,900,280)
	6.1	-	309,727,895
Less: Net unrealized gain in fair value of investments at the beginning of the year		-	(336,292,738)
		-	(26,564,843)
Short-term Investments:			
Market value of investments		-	194,268,111
Less: Carrying value of investments		-	(222,097,077)
	12.1	-	(27,828,966)
Less: Net unrealized loss in fair value of investments at the beginning of the year		-	18,709,305
Add: Amount realized on redemption		-	(6,563,770)
		-	(15,683,431)
		<u>-</u>	<u>(42,248,274)</u>

31 CASH AND CASH EQUIVALENTS

Cash and bank balances	14	<u>23,165,617</u>	<u>19,491,053</u>
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32 REMUNERATION TO THE CHIEF EXECUTIVE OFFICER, DIRECTORS AND EXECUTIVES

The aggregate amount charged in the financial statements for the remuneration including all benefits to the Chief Executive Officer, Directors and Executives of the Company is as follows:

Particulars	2019			2018		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	(Rupees)					
Managerial remuneration	10,446,540	-	52,392,011	7,854,539	-	46,445,480
Year-end incentive	6,000,000	-	31,300,000	4,320,000	-	22,224,404
Rent and house maintenance	4,700,940	-	23,576,416	3,534,539	-	18,605,859
Car allowance	3,949,092	-	14,582,420	3,886,119	-	11,937,604
Utilities	1,044,660	-	5,239,197	785,459	-	4,134,620
Medical	1,044,660	-	5,239,197	785,463	-	4,134,632
Retirement benefits	874,875	-	3,988,781	662,086	-	3,204,300
Meeting fee	-	5,700,000	-	-	4,700,000	-
Others	432,060	-	479,332	432,059	-	257,507
	<u>28,492,827</u>	<u>5,700,000</u>	<u>136,797,354</u>	<u>22,260,264</u>	<u>4,700,000</u>	<u>110,944,406</u>
Number of persons	<u>1</u>	<u>7</u>	<u>21</u>	<u>1</u>	<u>8</u>	<u>18</u>

Executive means an employee of a listed company other than the chief executive and directors whose basic salary exceeds Rs.1.2 million in a financial year. The chief executive officer and executives are also provided with medical facilities in accordance with their entitlements.

The Company is also providing a personal secretary, servant and health insurance facilities to Vice Chairman.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

33 OPERATING SEGMENTS

The Company functions as a single operating segment. Income derived from the management fee of open-end collective investment schemes and pension funds and that derived from the management of discretionary portfolios account for 95% and 5% (2018: 96% and 4%) respectively of the total income earned during the year.

34 FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

The Board of Directors of the Company has the overall responsibility for the establishment and oversight of the Company's risk management framework. The Board of Directors is also responsible for developing and monitoring the Company's risk management policies. The Company has exposure to the following risks from its use of financial instruments:

- Market risk
- Liquidity risk
- Credit risk

34.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices (e.g. foreign exchange rates, interest rates, equity prices, etc.). The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the returns to shareholders.

The Company's policy is to manage market risk through diversification and selection of securities within specified limits set by the Board of Directors.

Market risk comprises of three types of risk: currency risk, yield / interest rate risk and other price risk.

34.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Presently, the Company is not exposed to currency risk as all transactions are carried out in Pak Rupees.

34.1.2 Yield / interest rate risk

Yield / interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Exposure to interest rate risk

The interest rate profile of the Company's interest-bearing financial instruments is as follows:

Variable rate instrument	2019	2018
	(Rupees)	
Loans to employees	4,647,561	-
Bank balances (saving accounts)	13,873,514	15,262,022
	<u>18,521,075</u>	<u>15,262,022</u>

Fixed rate instrument

The Company does not have any exposure to fixed rate financial instruments.

Cash flow sensitivity analysis for variable rate instruments

A reasonably possible change of 100 basis points in interest rates at the reporting date would have increased / decreased the statement of financial position and statement of profit or loss account by Rs. 0.18 million (2018: Rs. 0.15 million). The analysis assumes that all other variables remain constant.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The Company's net exposure to interest rate risk, analysed by the earlier of contractual repricing or maturity date is as follows:

Particulars	Interest / mark-up bearing						Non-interest / mark up bearing	Total
	Maturity up to one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity after one year	Sub-total		
(Rupees)								
On balance sheet financial instruments								
Financial assets								
Investments	-	-	-	-	-	-	991,523,572	991,523,572
Loans	38,225	76,694	115,654	233,539	4,183,449	4,647,561	3,206,911	7,854,472
Long-term deposits	-	-	-	-	-	-	4,487,188	4,487,188
Receivable from related parties	-	-	-	-	-	-	499,653,341	499,653,341
Deposits and other receivables	-	-	-	-	-	-	18,512,433	18,512,433
Accrued mark-up	-	-	-	-	-	-	181,212	181,212
Cash and bank balances	13,873,514	-	-	-	-	13,873,514	9,292,103	23,165,617
	<u>13,911,739</u>	<u>76,694</u>	<u>115,654</u>	<u>233,539</u>	<u>4,183,449</u>	<u>18,521,075</u>	<u>1,526,856,760</u>	<u>1,545,377,835</u>
Financial liabilities								
Unclaimed dividend	-	-	-	-	-	-	4,256,938	4,256,938
Trade and other payables	-	-	-	-	-	-	93,758,284	93,758,284
	-	-	-	-	-	-	98,015,222	98,015,222
On-balance sheet gap (a) *	<u>13,911,739</u>	<u>76,694</u>	<u>115,654</u>	<u>233,539</u>	<u>4,183,449</u>	<u>18,521,075</u>	<u>1,428,841,538</u>	<u>1,447,362,613</u>
Off-balance sheet gap (b)	-	-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)	<u>13,911,739</u>	<u>76,694</u>	<u>115,654</u>	<u>233,539</u>	<u>4,183,449</u>	<u>18,521,075</u>		
Cumulative interest rate sensitivity gap	<u>13,911,739</u>	<u>76,694</u>	<u>115,654</u>	<u>233,539</u>	<u>4,183,449</u>	<u>18,521,075</u>		

Particulars	Interest / mark-up bearing						Non-interest / mark up bearing	Total
	Maturity up to one month	Maturity over one month to three months	Maturity over three months to six months	Maturity over six months to one year	Maturity after one year	Sub-total		
(Rupees)								
On balance sheet financial instruments								
Financial assets								
Investments	-	-	-	-	-	-	1,139,199,683	1,139,199,683
Loans	-	-	-	-	-	-	6,777,824	6,777,824
Long-term deposits	-	-	-	-	-	-	3,089,228	3,089,228
Receivable from related parties	-	-	-	-	-	-	511,110,119	511,110,119
Deposits and other receivables	-	-	-	-	-	-	23,052,575	23,052,575
Accrued mark-up	-	-	-	-	-	-	200,207	200,207
Cash and bank balances	15,262,022	-	-	-	-	15,262,022	4,229,031	19,491,053
	<u>15,262,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,262,022</u>	<u>1,687,658,667</u>	<u>1,702,920,689</u>
Financial liabilities								
Unclaimed dividend	-	-	-	-	-	-	4,203,632	4,203,632
Trade and other payables	-	-	-	-	-	-	181,839,251	181,839,251
	-	-	-	-	-	-	186,042,883	186,042,883
On-balance sheet gap (a) *	<u>15,262,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,262,022</u>	<u>1,501,615,784</u>	<u>1,516,877,806</u>
Off-balance sheet gap (b)	-	-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)	<u>15,262,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,262,022</u>		
Cumulative interest rate sensitivity gap	<u>15,262,022</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,262,022</u>		

* The on-balance sheet gap represents the net amounts of on-balance sheet items.

34.1.3 Price risk

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

The Company is exposed to price risk because of investments held by the Company in units of open-end collective investment schemes and pension funds managed by the Company itself. The investments are marked to market based on the net assets value which are declared for each fund on a daily basis. Senior management of the Company reviews these investments on a regular basis. Furthermore, the Investment Committee of the Company also reviews and approves all significant investment decisions.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

In case of 1% increase / decrease in the net asset values of the investments subject to price risk, the profit for the year after taxation of the Company would be higher / lower by Rs. 9.915 million (2018: Rs. 3.840 million), other comprehensive income for the year would be higher / lower by Rs Nil (2018: Rs 7.148 million) and total comprehensive income for the year would be higher / lower by Rs. 9.915 million (2018: Rs. 10.989 million).

34.2 Credit risk

Credit risk is the risk that a counterparty will fail to discharge an obligation and cause the other party to incur a financial loss. The entire portfolio of financial assets of the Company (except for cash in hand) is subject to credit risk. However, the management believes that the Company's credit risk is minimal as major portion of financial assets comprise investments in or receivables from its Funds under management which are financially sound.

The Company's financial assets are neither past due nor impaired as at the reporting date.

The maximum exposure to credit risk before any credit enhancements at 30 June 2019 is the carrying amount of the financial assets as set out below:

Financial assets	2019	2018
	(Rupees)	
Investments	991,523,572	1,139,199,683
Long term deposits	4,487,188	3,089,228
Long-term loans	5,148,566	5,328,732
Receivable from related parties	499,653,341	511,110,119
Loans and advances	2,705,906	1,449,092
Deposits and other receivables	18,512,433	23,052,575
Accrued mark-up	181,212	200,207
Cash and bank balances	23,165,617	19,491,053
	<u>1,545,377,835</u>	<u>1,702,920,689</u>

Latest ratings of the Funds from which amounts are receivable or where the Company has invested in are as follows:

	As at 30 June 2019	As at 30 June 2018	Rating agency
	------(Stability rating)-----		
MCB Cash Management Optimizer	AA+(f)	AA (f)	PACRA
MCB DCF Income Fund	-	A +	PACRA
Alhamra Islamic Income Fund	AA-(f)	AA - (f)	PACRA
MCB Pakistan Sovereign Fund	AA-(f)	AA - (f)	PACRA
Pakistan Cash Management Fund	AA+(f)	AAA (f)	PACRA
Pakistan Income Enhancement Fund	A+(f)	A + (f)	PACRA
Pakistan Income Fund	A+(f)	A + (f)	PACRA
Pakistan Sarmaya Mehfooz Fund	N/A	CP2 +	PACRA

Ratings of other Funds are not available.

Latest available ratings of banks with which deposits are kept are as follows:

BANK	As at 30 June 2019		As at 30 June 2018		Rating agency
	Short-term	Long-term	Short-term	Long-term	
	------(Rating)-----				
MCB Bank Limited	A1+	AAA	AAA	A1+	PACRA
Summit Bank Limited	A-1	A-	A-	A-1	JCR-VIS
Bank Al Habib Limited	A1+	AA+	AA+	A1+	PACRA
Faysal Bank Limited	A1+	AA	AA	A1+	PACRA
MCB Islamic Bank Limited	A1	A	A	A1	PACRA
Bank Alfalah Limited	A1+	AA+	AA	A1+	PACRA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

34.3 Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting its financial obligations as they fall due. Liquidity risk arises because of the possibility that the Company could be required to pay its liabilities earlier than expected or difficulty in raising funds to meet commitments associated with financial liabilities as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. Following are the contractual maturities of the Company's financial liabilities (based on the remaining period to maturity):

	2019		
	Carrying amount	Contractual cash flows	Six months or less
Non-Derivative Financial liabilities	(Rupees)		
Trade and other payables	93,758,284	93,758,284	93,758,284
Unclaimed dividend	4,256,938	4,256,938	4,256,938
	98,015,222	98,015,222	98,015,222
Non-Derivative Financial liabilities			
	2018		
	Carrying amount	Contractual cash flows	Six months or less
	(Rupees)		
Trade and other payables	181,839,251	181,839,251	181,839,251
Unclaimed dividend	4,203,632	4,203,632	4,203,632
	186,042,883	186,042,883	186,042,883

35 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES	Unappropriated profit (as adjusted for IFRS 9)
Balance as at 1 July 2018	507,990,917
Profit for the year	24,235,396
Dividend paid	(126,000,000)
Balance as at 30 June 2019	406,226,313

36 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.

The fair values of investments in units of open-end collective investment schemes and pension schemes are based on the net assets value announced by the Company at each reporting date.

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

Fair value hierarchy

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

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

The table below analyses financial instruments measured at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorized:

On-balance sheet financial instruments	As at 30 June 2019							
	Carrying amount				Fair value			
	Financial assets at FVTPL	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets ----- (Rupees) -----								
measured at fair value								
Long-term investments	486,816,184	-	-	486,816,184	486,816,184	-	-	486,816,184
Short-term investments	504,707,388	-	-	504,707,388	504,707,388	-	-	504,707,388
	<u>991,523,572</u>	<u>-</u>	<u>-</u>	<u>991,523,572</u>				
Financial assets not								
measured at fair value								
Long-term loans	-	5,148,566	-	5,148,566				
Long-term deposits	-	4,487,188	-	4,487,188				
Receivable from related parties	-	499,653,341	-	499,653,341				
Loans and advances	-	2,705,906	-	2,705,906				
Deposits and other receivables	-	18,512,433	-	18,512,433				
Accrued mark-up	-	181,212	-	181,212				
Cash and bank balances	-	23,165,617	-	23,165,617				
	<u>-</u>	<u>553,854,263</u>	<u>-</u>	<u>553,854,263</u>				
Financial liabilities not								
measured at fair value								
Unclaimed dividend	-	-	4,256,938	4,256,938				
Trade and other payables	-	-	93,758,284	93,758,284				
	<u>-</u>	<u>-</u>	<u>98,015,222</u>	<u>98,015,222</u>				

On-balance sheet financial instruments	As at 30 June 2018							
	Carrying amount				Fair value			
	Investments	Loans and receivables	Other financial liabilities	Total	Level 1	Level 2	Level 3	Total
Financial assets ----- (Rupees) -----								
measured at fair value								
Long-term investments	520,628,175	-	-	520,628,175	520,628,175	-	-	520,628,175
Short-term investments	618,571,508	-	-	618,571,508	618,571,508	-	-	618,571,508
	<u>1,139,199,683</u>	<u>-</u>	<u>-</u>	<u>1,139,199,683</u>				
Financial assets not								
measured at fair value								
Long-term loans	-	5,328,732	-	5,328,732				
Long-term deposits	-	3,089,228	-	3,089,228				
Receivable from related parties	-	511,110,119	-	511,110,119				
Loans and advances	-	1,449,092	-	1,449,092				
Deposit and other receivables	-	23,052,575	-	23,052,575				
Accrued mark-up	-	200,207	-	200,207				
Cash and bank balances	-	19,491,053	-	19,491,053				
	<u>-</u>	<u>563,721,006</u>	<u>-</u>	<u>563,721,006</u>				
Financial liabilities not								
measured at fair value								
Unclaimed dividend	-	-	4,203,632	4,203,632				
Trade and other payables	-	-	181,839,251	181,839,251				
	<u>-</u>	<u>-</u>	<u>186,042,883</u>	<u>186,042,883</u>				

37 CAPITAL MANAGEMENT

The Company's objectives when managing capital are:

- to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns to shareholders and benefits to other stakeholders, and
- to provide an adequate return to shareholders by pricing products and services that commensurate with the level of risk.

The Company is subject to externally imposed minimum equity requirement laid down under the NBFC Rules, 2003 and the NBFC Regulation, 2008 for providing asset management services and investment advisory services and is required to maintain Rs. 230 million equity.

The Company sets the amount of capital in proportion to risk. The Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. Currently, the Company is financing its operations through equity and working capital.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

38 TRANSACTIONS WITH RELATED PARTIES

MCB Bank Limited (MCB) holds 51.33% ordinary shares of the Company as at the year end. Therefore, all subsidiaries and associated undertakings of MCB are related parties of the Company. Other related parties comprise of Arif Habib Corporation Limited with a holding percentage of 30%, companies having common directorship, collective investment schemes and voluntary pension schemes managed by the Company, directors, key management personnel and their close family members and retirement benefit plan. Contributions for staff retirement benefits are made as per the service rules. Transactions with the key management personnel comprising of their remuneration and loans are as per the terms of employees. Other transactions are at agreed rates. Details of such transaction are as follows:

38.1 Transactions with related parties during the year

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2019	2018
			(Rupees)	
MCB BANK LIMITED	Parent company with 51.33% Holding	Commission and other expenses	47,058,258	53,066,755
		Profit on bank deposits	1,326,393	1,228,121
		Bank charges	437,010	410,790
		Reimbursement of expenses	-	12,966,250
		Branch sharing expenses	5,149,817	4,339,916
		Dividend paid	64,674,344	64,674,344
MCB ISLAMIC BANK LIMITED	Subsidiary of Parent Company	Profit on bank deposits	14,608	27,916
NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT) LIMITED	Group Company of Parent Company	Rent expense	3,709,869	3,398,747
NISHAT HOTELS AND PROPERTIES LIMITED	Group Company of Parent Company	Rent expense	2,114,065	2,480,000
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Group Company of Parent Company	Investment advisory fee	18,423,461	14,480,626
		Amount paid against life assurance	-	8,067,444
		Sale of software	-	5,000,000
		Income from service level agreement	250,000	-
ADAMJEE INSURANCE COMPANY LIMITED	Group Company of Parent Company	Amount paid against insurance	14,895,498	1,367,545
		Amount received against insurance claim	290,990	333,297
		Dividend paid	8,954,750	8,954,750
ARIF HABIB CORPORATION LIMITED	Associate with 30.09% Holding Company	Dividend paid	37,912,292	37,912,292
ARIF HABIB LIMITED	Subsidiary of Associated Company	Sharing of expenses	94,608	712,541
MCB CASH MANAGEMENT OPTIMIZER	Funds under management	Management fee	105,177,288	81,564,741
		Reimbursement of expenses	11,237,876	12,767,852
		Dividend Income	17,213,586	-
		Investment in units	3,577,182,215	529,644,149
		Redemption of units	3,792,270,353	508,500,000
MCB DCF INCOME FUND	Funds under management	Management fee	58,774,821	82,277,923
		Share of sales load	1,348,129	171,876
		Back end load	46,087	23,620
		Reimbursement of expenses	3,918,321	5,485,195
		Investment in units	672,374,484	-
		Redemption of units	672,884,742	-
ALHAMRA ISLAMIC INCOME FUND	Funds under management	Management fee	24,653,205	17,444,246
		Share of sales load	548,493	639,078
		Reimbursement of expenses	2,579,135	2,774,206
		Sharia fee paid on behalf of the fund	900,000	900,000
		Investment in units	402,239,306	-
		Redemption of units	402,601,810	-
MCB PAKISTAN ASSET ALLOCATION FUND	Funds under management	Management fee	58,210,668	64,524,895
		Share of sales load	286,116	192,503
		Reimbursement of expenses	2,910,611	3,226,245
		Selling and marketing	11,641,298	12,904,131
		Back-end load	3,057,637	9,122,365
		Investment in units	50,000,000	-
		Redemption of units	50,123,345	-
MCB PAKISTAN FREQUENT PAYOUT FUND	Funds under management	Management fee	4,490,633	6,689,369
		Reimbursement of expenses	328,872	664,206
ALHAMRA ISLAMIC STOCK FUND	Funds under management	Management fee	61,917,014	64,424,953
		Share of sales load	1,426,002	408,992
		Reimbursement of expenses	3,095,848	3,221,248
		Selling and marketing	12,383,403	12,884,773
		Sharia fee paid on behalf of the fund	900,000	900,000
MCB PAKISTAN SOVEREIGN FUND	Funds under management	Management fee	6,299,297	6,294,981
		Share of sales load	45,018	38,497
		Reimbursement of expenses	652,271	985,132
		Investments in units	241,312,122	-
		Redemption of units	241,482,932	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2019	2018
			(Rupees)	
MCB PAKISTAN STOCK MARKET FUND	Funds under management	Management fee	222,717,140	209,777,296
		Share of sales load	5,049,301	2,011,613
		Back-end load	21,283	20,699
		Reimbursement of expenses	11,135,857	10,488,865
		Selling and marketing	44,543,428	41,955,460
		Investments in units	319,246,509	74,467,287
		Redemption of units	219,000,000	142,647,360
PAKISTAN CAPITAL MARKET FUND	Funds under management	Management fee	11,537,919	12,604,006
		Share of sales load	66,693	61,495
		Reimbursement of expenses	579,832	630,200
		Selling and marketing	2,307,585	138,284
PAKISTAN CASH MANAGEMENT FUND	Funds under management	Management fee	2,031,380	4,378,779
		Reimbursement of expenses	277,538	706,919
		Investments in units	222,389,873	-
		Redemption of units	222,525,341	-
PAKISTAN INCOME ENHANCEMENT FUND	Funds under management	Management fee	11,608,524	18,853,973
		Share of sales load	353,981	175,370
		Reimbursement of expenses	877,677	1,837,648
		Investments in units	962,667,274	-
		Redemption of units	963,339,660	-
PAKISTAN INCOME FUND	Funds under management	Management fee	14,626,110	20,722,340
		Share of sales load	1,230,310	173,212
		Reimbursement of expenses	1,495,060	1,498,424
ALHAMRA ISLAMIC ASSET ALLOCATION FUND	Funds under management	Management fee	72,036,176	49,880,453
		Share of sales load	3,272,252	1,259,721
		Back end load	12,240,965	6,493,005
		Reimbursement of expenses	3,601,809	2,494,023
		Selling and marketing	14,407,235	9,976,091
		Shariah fee paid on behalf of the fund	900,000	900,000
ALHAMRA ISLAMIC PENSION FUND	Funds under management	Management fee	12,166,856	10,767,398
		Share of sales load	671,719	253,059
		Contribution to fund on behalf of the employees	16,557,763	11,846,477
PAKISTAN PENSION FUND	Funds under management	Management fee	23,435,799	21,811,979
		Share of sales load	474,663	245,659
		Contribution to fund on behalf of the employees	5,564,415	4,554,273
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I	Funds under management	Management fee	440,315	830,620
		Reimbursement of expenses	1,154,940	1,457,948
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-II	Funds under management	Management fee	136,374	422,844
		Sales load	108,818	180,916
		Reimbursement of expenses	762,715	727,009
ALHAMRA DAILY DIVIDEND FUND	Funds under management	Management fee	4,844,583	334,171
		Dividend income	869,942	869,942
		Investments in units	142,885,765	106,996,789
		Redemption of units	106,181,782	106,996,789

38.2 Amount outstanding at year end

MCB BANK LIMITED	Parent company with 51.33% Holding	Bank balance	13,096,131	14,713,692
		Other payable	4,380,075	14,379,790
		Commission payable	4,222,600	3,331,143
		Mark-up receivable	115,076	166,561
MCB ISLAMIC BANK LIMITED	Subsidiary of Parent Company	Bank balance	1,093,594	1,056,985
		Mark-up receivable	1,385	1,041
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Group Company of Parent Company	Advisory fee receivable	9,224,102	9,023,008
		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	47,304	506,193
MCB DCF INCOME FUND	Funds under management	Remuneration receivable	104,461,978	105,431,420
		Sales load receivable	28,331,907	28,324,680
		Receivable against reimbursement of expenses	318,628	375,822

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2019 (Rupees)	2018
MCB PAKISTAN ASSET ALLOCATION FUND	Funds under management	Remuneration receivable	23,398,751	24,871,165
		Sales load receivable	16,330,340	16,757,790
		Back-end load	6,779	1,293,734
		Receivable against reimbursement of expenses	193,409	258,560
		Receivable against selling & marketing expenses	2,528,787	3,184,835
MCB CASH MANAGEMENT OPTIMIZER	Funds under management	Remuneration receivable	67,185,313	63,337,767
		Closing balance of investment in units	212,000,020	424,303,397
		Receivable against reimbursement of expenses	754,375	1,182,824
		Sales Load Receivable	18,788	-
ALHAMRA ISLAMIC INCOME FUND	Funds under management	Remuneration receivable	11,233,424	10,659,129
		Sales load receivable	3,078,600	3,114,407
		Receivable against reimbursement of expenses	182,361	464,421
		Receivable against shariah fee	75,000	75,000
MCB PAKISTAN STOCK MARKET FUND	Funds under management	Remuneration receivable	73,325,972	74,514,641
		Sales load receivable	3,966,585	4,489,367
		Other receivable	-	5,026
		Closing balance of investment in units	256,003,384	194,268,111
		Receivable against reimbursement of expenses	820,868	873,464
		Receivable against selling & marketing expenses	10,331,523	10,946,767
PAKISTAN INCOME FUND	Funds under management	Remuneration receivable	10,804,604	10,298,358
		Sales load receivable	296,652	445,802
		Receivable against reimbursement of expenses	115,300	122,321
MCB PAKISTAN SOVEREIGN FUND	Funds under management	Remuneration receivable	29,786,438	29,452,072
		Sales load receivable	4,169,839	4,169,841
		Receivable against reimbursement of expenses	56,616	52,952
PAKISTAN CAPITAL MARKET FUND	Funds under management	Remuneration receivable	6,826,186	7,050,273
		Sales load receivable	393,847	396,220
		Receivable against reimbursement of expenses	42,204	52,147
		Receivable against selling & marketing expenses	523,686	138,284
ALHAMRA ISLAMIC STOCK FUND	Funds under management	Remuneration receivable	10,898,534	12,221,892
		Sales load receivable	175,928	143,179
		Receivable against reimbursement of expenses	230,793	289,060
		Receivable against selling & marketing expenses	2,873,160	3,620,042
		Receivable against Shariah Fee	75,000	75,000
PAKISTAN PENSION FUND	Funds under management	Remuneration receivable	8,141,849	8,140,003
		Sales load receivable	1,614,522	841,023
		Closing balance of investment in units	245,136,795	255,569,563
ALHAMRA ISLAMIC ASSET ALLOCATION FUND	Funds under management	Remuneration receivable	11,588,374	12,443,393
		Sales load receivable	1,362,729	4,163,891
		Back end load receivable	502,186	744,899
		Receivable against reimbursement of expenses	251,193	289,026
		Receivable against selling & marketing expenses	3,144,226	3,395,929
		Receivable against shariah fee	75,000	75,000
ALHAMRA ISLAMIC PENSION FUND	Funds under management	Remuneration receivable	4,153,360	4,099,420
		Sales load receivable	128,583	358,280
		Closing balance of investment in units	241,679,389	265,058,612
PAKISTAN SARMAVA 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	11,933,267	12,174,814
		Receivable against reimbursement of expenses	-	68,521
PAKISTAN INCOME ENHANCEMENT FUND	Funds under management	Remuneration receivable	17,581,109	17,911,242
		Sales load receivable	4,818,822	4,748,432
		Other receivable	-	3,529
		Receivable against reimbursement of expenses	60,251	115,348
MCB PAKISTAN FREQUENT PAYOUT FUND	Funds under management	Remuneration receivable	1,276,206	1,393,526
		Sales load receivable	3,624,618	3,624,619
		Receivable against reimbursement of expenses	20,962	39,913
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I	Funds under management	Remuneration receivable	21,710	74,282
		Receivable against reimbursement of expenses	52,988	116,499
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-II	Funds under management	Remuneration receivable	4,353	38,774
		Receivable against reimbursement of expenses	59,140	67,036
ALHAMRA DAILY DIVIDEND FUND	Funds under management	Remuneration receivable	1,177,289	157,897
		Payable against bank charges	243,033	19,212
		Other receivable	-	40,000
		Closing balance of investment in units	36,703,984	-

Key management personnel of the Company comprises of the Directors, Chief Executive Officer and Executives. Their remuneration are disclosed in note 32 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

39 NUMBER OF EMPLOYEES

The total number of employees as at year end were 332 (2018: 384) and average number of employees were 319 (2018: 347).

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

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.

41 CORRESPONDING FIGURES

Comparative information has been reclassified or rearranged in these financial statements for the purpose of better presentation. Following major reclassification has been made during the year:

Description	Reclassified from	Reclassified to	2018
Front end load income	Processing and other related income	Selling and distribution expenses	<u>13,519,417</u>

42 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorized for issue on 13 September, 2019 by the Board of Directors of the Company.

43 GENERAL

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



Chief Executive Officer



Chief Financial Officer



Director

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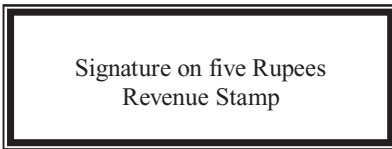
*Mobile apps are also available for download for android and ios devices

FORM OF PROXY
19th ANNUAL GENERAL MEETING
On October 24, 2019

The Company Secretary
MCB-Arif Habib Savings and Investments Limited
24th Floor, Centrepoint, Off-Shaheed-e-Millat Expressway,
KPT Interchange,
Karachi-74900

I/We of _____ in the
district of _____ being a member of MCB-Arif Habib Savings and
Investments Limited, hereby appoint _____
of _____ as my/our proxy to vote for me/us and on my/our
behalf at the 19th Annual General Meeting of the Company to be held on Thursday, October 24,
2019 and at any adjournment thereof.

Signed this _____ day of _____ 2019.



(The signature should agree with the specimen registered with the Company)

1. WITNESS:

Signature: _____

Name: _____

Address: _____

CNIC/ Passport No. _____

2. WITNESS:

Signature: _____

Name: _____

Address: _____

CNIC/ Passport No. _____

Shareholder Folio No.

CDC Participant ID No & Sub Account No.

Note:

1. This Proxy Form, duly completed and signed, must be received at the Registered Office of the Company at 24th Floor, Centrepoint, Off Shaheed-e-Millat Expressway, near KPT Interchange, Karachi-74900, Pakistan not less than 48 hours before the time of holding the meeting. A proxy need not be a member of the Company.
2. If a member appoints more than one proxy and more than one instruments of proxy are deposited by a member with the Company, all such instruments of the proxy shall be rendered invalid.
3. CDC share holders and their proxies are each requested to attach an attested photocopy of their Computerized National Identity Card or Passport with this proxy form before submission to the Company.
4. The proxy shall produce his original CNIC or original passport at the time of the meeting.
5. In case of a corporate entity, the Board of Directors resolution / power of attorney with specimen signature of the nominee shall be submitted (unless it has been provided earlier) along with proxy form to the Company.

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MCB ARIF HABIB SAVINGS & INVESTMENTS LIMITED

24th Floor Centerpoint, Off Shaheed-e-Millat
Expressway Near K.P.T Interchange, Karachi
Postal Code: 74900

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پراکسی فارم
انیسواں سالانہ اجلاس عام
مؤرخہ 24 اکتوبر، 2019

کمپنی سیکریٹری
ایم سی بی عارف حبیب سیونگزا اینڈ انویسٹمنٹس لمیٹڈ
24 ویں منزل، سینٹر پوائنٹ، آف شہید ملت ایکسپریس وے،
کے پی ٹی انٹر چینج،
کراچی۔ 74900

میں/ہم _____ کا/کے _____، _____ کے ضلع میں ایم سی بی عارف
حبیب سیونگزا اینڈ انویسٹمنٹس لمیٹڈ کے ایک ممبر ہونے کی حیثیت سے _____ کے _____ کو مؤرخہ 24 اکتوبر،
2019 بروز جمعرات منعقد ہونے والے انیسویں سالانہ اجلاس عام کے لیے اور کسی بھی التواء کی صورت میں میرے/ہمارے لیے اور میری/ہماری طرف سے
ووٹ کرنے کے لیے بطور پراکسی مقرر کرتا ہوں/کرتے ہیں۔
بروز _____ مؤرخہ _____ 2019 کو دستخط ہوئے۔

پانچ روپے کے ریونیو اسٹیٹمنٹ پر دستخط
(دستخط کو کمپنی کے پاس رجسٹر شدہ دستخط کے نمونے کے مطابق ہونا چاہئے)

2- گواہ

1- گواہ

دستخط: _____

دستخط: _____

نام: _____

نام: _____

پتہ: _____

پتہ: _____

کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ نمبر: _____

شیر ہولڈر فولیو نمبر

سی ڈی سی حصہ داران کے آئی ڈی نمبر اور ذیلی اکاؤنٹ نمبر

نوٹ:

- 1- باقاعدہ مکمل اور دستخط شدہ پراکسی فارم کا کمپنی کے رجسٹر شدہ آفس، 24 ویں منزل، سینٹر پوائنٹ، آف شہید ملت ایکسپریس وے، کے پی ٹی انٹر چینج، کراچی۔ 74900 پر اجلاس کے آغاز سے 48 گھنٹے قبل وصول ہونا ضروری ہے۔ پراکسی کے لیے کمپنی کا ممبر ہونا ضروری نہیں ہے۔
- 2- اگر کوئی ممبر ایک سے زائد پراکسی مقرر کرتا ہے اور کسی ممبر کی طرف سے ایک سے زائد پراکسی دستاویزات کمپنی میں جمع کروائے جاتے ہیں تو ایسے تمام پراکسی دستاویزات کو غیر قانونی/غیر درست قرار دیا جائے گا۔
- 3- ہر سی ڈی سی شیر ہولڈر اور ان کے پراکسیز سے درخواست کی جاتی ہے کہ اس پراکسی فارم کو کمپنی میں جمع کروانے سے قبل اس کے ساتھ اپنے کمپیوٹرائزڈ قومی شناختی کارڈ یا پاسپورٹ کی تصدیق شدہ کاپی منسلک کریں۔
- 4- اجلاس کے وقت پراکسی کو اپنا اصل کمپیوٹرائزڈ قومی شناختی کارڈ یا اصل پاسپورٹ فراہم کرنا ہوگا۔
- 5- کارپوریٹ ادارے کی صورت میں، پراکسی فارم کے ساتھ بورڈ آف ڈائریکٹرز کی قرارداد/پاور آف اٹارنی بمعہ نامزد کے دستخط کے نمونے کمپنی میں جمع کروانا ہونگے (اگر پہلے فراہم نہ کیے گئے ہوں)۔

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MCB-Arif Habib Savings and Investments Limited

Head Office: 24th Floor, Centrepoin, 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