



ANNUAL REPORT 2020

MCB-Arif Habib Savings and Investments Limited

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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	Mr. Haroun Rashid Mr. Nasim Beg Mr. Muhammad Saqib Saleem Mr. Ahmed Jahangir Mr. Kashif A. Habib Mirza Qamar Beg Syed Savail Meekal Hussain Ms. Mavra Adil Khan	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
Audit Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Mr. Kashif A. Habib Syed Savail Meekal Hussain	Chairman Member Member Member Member
Human Resource & Remuneration Committee	Mirza Qamar Beg Mr. Nasim Beg Mr. Ahmed Jahangir Syed Savail Meekal Hussain Ms. Mavra Adil Khan Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Operating & Financial Officer	Mr. Muhammad Asif Mehdi Rizvi	
Company Secretary	Mr. Altaf Ahmad Faisal	
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 Bank Al-Falah Limited Faysal Bank Limited Bank Al-Habib Limited MCB Islamic Bank Limited Summit Bank 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 Adamjee House, 2nd Floor, I.I. Chundrigar Road, Karachi.	
Rating	AM2++ Asset Manager Rating assigned by PACRA	

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given to the members that the Twentieth (20th) Annual General Meeting of MCB-Arif Habib Savings and Investments Limited will be held on Monday, October 19, 2020 at 11:30 a.m. to transact the following business. On account of the prevailing situation caused by the global outbreak of the Coronavirus (COVID-19), Shareholders shall be entitled to attend the meeting through video conference facility managed by the Company as per the instructions given in the notes section.

Ordinary Business:

1. To confirm the minutes of the last Extra Ordinary General Meeting held on February 06, 2020;
2. To receive, consider and adopt the Audited Financial Statements of the Company for the year ended June 30, 2020 together with Directors' and Auditors' Reports thereon;
3. To declare and approve final cash dividend of 22.5 per cent i.e. Rs. 2.25 per ordinary share of Rs. 10/- each for the year ended June 30, 2020, as recommended by the Board of Directors. This is in addition to the interim cash dividend of 10 per cent i.e. Re. 1 per ordinary share of Rs. 10/- each paid to the shareholders during the year, thus making a total cash dividend of 32.5 per cent i.e. Rs. 3.25 per ordinary share of Rs. 10/- each for the year ended June 30, 2020;
4. To appoint external auditors of the Company for the year ending June 30, 2021 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, 2021; and
5. To transact any other business with the permission of the Chair.

By Order of the Board



Altaf Ahmad Faisal
Company Secretary

September 25, 2020
Karachi

Notes:

1. Participation in the AGM proceeding via the video conference facility

In view of the prevailing situation due to pandemic COVID-19 and in line with the direction issued to listed companies by Securities and Exchange Commission of Pakistan, vide its Circular No.5 of 2020 dated 17 March 2020 further extended till October 30, 2020 vide Circular No. 25 of 2020 dated August 31, 2020, the Company has decided to hold its AGM through electronic means. The arrangements will be as under:

- (a) AGM will be held through Zoom application – a video link facility;
- (b) Shareholders interested in attending the AGM through Zoom will be required to get themselves registered with the Company Secretary office at least two working days before the AGM at shazaib.anwar@mcbah.com by providing the following details:

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Name of shareholder	CNIC No.	Folio / CDS No.	Cell No.	Email address

Login facility will be opened thirty minutes before the meeting time to enable the participants to join the meeting after identification process. Shareholders will be able to login and participate in the AGM proceedings through their devices after completing all the formalities required for the identification and verification of the shareholders; and

- (c) Shareholders will be encouraged to participate in the AGM to consolidate their attendance and participation through proxies.

2. Book Closure Notice

The Share Transfer Books of the Company will remain closed from Monday, October 12, 2020 to Monday, October 19, 2020 (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 Friday, October 9, 2020, 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.

3. 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 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.**

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

SECP vide SRO No. 831(1)/2012 dated July 05, 2012 directed the 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.

5. 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

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relating to name, folio number, bank account number, title of account, 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.

6. 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, 2001 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 Friday, October 9, 2020, 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>

(ii) Further, according to clarification received from Federal Board of Revenue (FBR), with-holding 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 Friday, October 9, 2020; 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

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7. Change in Members Addresses

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

8. 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.

9. Placement of Audited Financial Statements on the Website

The financial statements for the year ended June 30, 2020 and reports have been placed on the Company's website: www.mcbah.com.

10. 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. 787(I)/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.

اطلاع برائے سالانہ اجلاس عام

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

۷۔ 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 ورنٹس دُرست پتے پر روانہ کیے جا سکیں۔

۸۔ 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۔ کمپنیز ایکٹ 2017ء کے سیکشن 244 کی تعمیل میں 3 سال کے بعد غیر دعویٰ شدہ ڈیویڈنڈ مقررہ عمل پورا کرنے کے بعد وفاقی حکومت کے یہاں جمع کر دیا جائے گا۔

۹۔ آڈٹ شدہ مالیاتی گوشواروں کی ویب سائٹ پر دستیابی

30 جون 2020ء کو اختتام پذیر ہونے والے سال کے آڈٹ شدہ مالیاتی گوشوارے کمپنی کی ویب سائٹ www.mcbah.com پر دستیاب کر دیئے گئے ہیں۔

۱۰۔ 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 2014ء 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.mcbah.com پر دستیاب کنسیٹ فارم کے ذریعے اپنے کوائف یعنی نام، فولیو / سی 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۔ دُرست رجسٹرڈ ای میل ایڈرس میں کسی بھی تبدیلی سے کمپنی کو بروقت مطلع کرنا ارکان کی ذمہ داری ہوگی۔

۵۔ 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 کو آئف فراہم کر دیں: نام، فوئیو نمبر، بینک اکاؤنٹ نمبر، اکاؤنٹ کا ٹائٹل، بینک کا مکمل ڈاک پتہ۔ سی ڈی سی اکاؤنٹ حاملین اپنی درخواست براہ راست اپنے بروکر (پارٹسپنٹ) / 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۔

۶۔ انکم ٹیکس آرڈیننس 2001ء کے سیکشن 150 کے تحت ڈیویڈنڈ پر وڈ ہولڈنگ ٹیکس کی کٹوتی (لازمی)

(i) یکم جولائی 2019ء سے مؤثر فائننس ایکٹ 2019ء کی شرائط کی تعمیل میں ڈیویڈنڈ میں سے انکم 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 جمعہ، 9 اکتوبر 2020ء کو اوقات کار کے اختتام (شام 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 برآں، فیڈرل بورڈ آف ریونیو کی جانب سے موصول شدہ وضاحت کے مطابق وڈ ہولڈنگ ٹیکس اصل شیئر ہولڈر اور مشترکہ ہولڈر (ز) کے '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 جمعہ، 9 اکتوبر 2020ء کو اوقات کار کے اختتام (شام 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			
فولیو / سی ڈی سی / اکاؤنٹ نمبر	شیئرز کی کل تعداد	نام اور CNIC نمبر	حصص یافتگی کا تناسب (شیئرز کی 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 نیشنل ٹیکس نمبر (NTN) اپنے پارٹسپنٹس 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

اطلاع برائے سالانہ اجلاس عام

نام	قومی شناختی کارڈ نمبر	فولیو/سی ڈی ایس نمبر	موبائل نمبر	ای میل ایڈرس

اجلاس میں شامل ہونے کی سہولت اجلاس سے تیس منٹ قبل کھولی جائے گی، اور شرکاء اپنے آلات کے ذریعے شناخت اور تصدیق کے عمل کے بعد شامل ہو سکیں گے۔

(c) شرکاء کی اے جی ایم میں شرکت کی حوصلہ افزائی کی جائے گی تاکہ وہ پراکسی کے ذریعے اپنی حاضری اور شرکت کو یقینی بناسکیں۔

۲۔ بک بند رہنے کی اطلاع

کمپنی کی شیئر ٹرانسفر بکس پیر، 12 اکتوبر 2020ء تا پیر، 19 اکتوبر 2020ء (بشمول دونوں دن) بند رہیں گی۔ جمعہ، 9 اکتوبر 2020ء کو اوقات کار کے اختتام (شام 5 بجے) تک ہمارے شیئرز رجسٹرار میسرزی سی ڈی سی شیئرز رجسٹرار سروسز 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۔

۳۔ 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۔

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 / یا ان کے پراکسی کو اجلاس میں شرکت کے وقت اپنا اصل کمپیوٹر آڈیو قومی شناختی کارڈ (CNIC) یا پاسپورٹ دکھانا ضروری ہے۔

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

سیکیورٹیز 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 کمپیوٹر آڈیو قومی شناختی کارڈ (CNIC) نمبر درج ہو۔ علاوہ ازیں، کمپنیز (ڈسٹری بیوشن آف ڈیویڈنڈز) ریگولیشنز 2017ء کی تعمیل میں ٹیکس / از کوۃ / ڈیویڈنڈ سرٹیفیکیٹس 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 شیئرز رجسٹرار کے یہاں جلد از جلد جمع کرا دیں (بشمول فولیو نمبر)۔

اطلاع برائے سالانہ اجلاس عام

ارکان کو اطلاع دی جاتی ہے کہ ایم سی بی عارف حبیب سیونگنز اینڈ انویسٹمنٹس لمیٹڈ کا بیسواں (۲۰واں) سالانہ اجلاس عام (اے جی ایم) بروز پیر مورخہ 19 اکتوبر 2020ء کو صبح 11:30 بجے منعقد ہوگا جس میں درج ذیل معاملات زیر غور آئیں گے۔ کورونا وائرس (کووڈ-۱۹) سے پیدا ہونے والی موجودہ صورتحال کے باعث حصص یافتگان کمپنی کے زیر اہتمام ویڈیو کانفرنس کے ذریعے اے جی ایم میں شرکت کر سکیں گے جس سے متعلق ہدایات اہم نکات میں موجود ہیں۔

عمومی کاروبار:

- ۱۔ سابقہ غیر معمولی عمومی اجلاس منعقدہ 06 فروری 2020ء کے اہم نکات کی تصدیق
- ۲۔ 30 جون 2020ء کو اختتام پذیر ہونے والے سال کے لیے کمپنی کے مالیاتی گوشواروں، ان پراڈیٹرز رپورٹ اور ڈائریکٹرز رپورٹ کی وصولی، ان پر غور و بحث اور ان کو اختیار کرنا
- ۳۔ ڈائریکٹرز کی سفارش کے مطابق 30 جون 2020ء کو اختتام پذیر ہونے والے سال کے لیے حتمی نقد ڈیویڈنڈ 22.5 فیصد پر، یعنی -/10 روپے والے عمومی شیئر پر 2.25 روپے فی شیئر کا اعلان اور منظوری یہ 22.5 فیصد عبوری نقد منافع منقسمہ کے علاوہ ہے جو کہ ہر 10 روپے والے عمومی حصص پر 1 فی حصص کے حساب سے سال کے دوران حصص یافتگان کو پہلے پاداکیا جا چکا ہے۔ لہذا 30 جون 2020ء کو ختم ہونیوالے سال کیلئے کل نقد منافع منقسمہ 32.50 فیصد یعنی ہر 10 روپے والے عمومی حصص پر 3.25 روپے فی حصص ہے۔

- ۴۔ 30 جون 2021ء 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 2021ء کو اختتام پذیر ہونے والے سال کے لیے میسرز KPMG تاثير 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



الطاف احمد فیصل
کمپنی سیکرٹری

25 ستمبر 2020ء

کراچی

اہم نکات:

- ۱۔ اے جی ایم میں بذریعہ ویڈیو کانفرنس شرکت
- کورونا وائرس (کووڈ-۱۹) سے پیدا ہونے والی موجودہ صورتحال کے باعث، اور سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے سرکیولر نمبر 5 بتاریخ 17 مارچ 2020ء، اور 30 اکتوبر 2020ء تک توسیع شدہ بذریعہ سرکیولر نمبر 25 بتاریخ 31 اگست 2020ء میں لسٹڈ کمپنیوں کو جاری کردہ ہدایت کے مطابق کمپنی نے فیصلہ کیا ہے کہ اے جی ایم کا انعقاد الیکٹرانک ذرائع سے کیا جائے گا جس کی تفصیلات درج ذیل ہیں:
- (a) اے جی ایم کا انعقاد روم اپلیکیشن کے ذریعے ہوگا جو ایک ویڈیو لنک سہولت ہے۔
- (b) جو حصص یافتگان بذریعہ روم اے جی ایم میں شرکت کرنا چاہتے ہیں وہ اے جی ایم سے کم از کم دو (دو رنگ) دن قبل کمپنی سیکرٹری کے دفتر میں خود کو رجسٹر کرائیں جس کے لیے shahzaib.anwar@mcbah.com پر مندرجہ ذیل تفصیلات فراہم کریں:

CHAIRMAN'S REVIEW REPORT

Dear Shareholders

I am pleased to present this Report to the members 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 the following about the operational performance of the Company, when compared with last year:

	June 30, 2020	June 30, 2019
	-----Amount in Rupees-----	
Management Fee / Investment Advisory Fee	673,851,616	730,643,339
Profit before taxation	345,100,889	85,165,705
Profit after taxation	257,669,113	24,235,396
Earnings per share (EPS)	3.58	0.34

The Board's Report has outlined detailed comments on the economy and I shall therefore refrain from repeating that information but focus on the broader issues.

Pakistan's economy dived back into shambles after impressive recovery signs began manifesting in the first half of the fiscal year 2020. The COVID-19 pandemic, which started in the third quarter of the year wreaked havoc on the global and resultantly, local economy wiping away all the earlier gains impacting the local industrial activity. We are optimistic about the recovery process as local recovery curve has essentially flattened out and global economies continue to reopen as lockdowns ease. Indeed, there is no easy and straight forward path to recovery, but the start of the journey itself is a silver lining.

While Asset Management sector is 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 a more compliant, documented economy bodes well for integrated institutions. Challenges in the economy have marred the performance of Capital Markets; however these conditions present a rare opportunity to invest in undervalued companies that are resilient and stand to deliver stronger on recovery. Our efforts to reach a wider public have the unique edge of cost efficient digital services. We continue to enjoy a strong equity base and a very talented human resource base along with a technology edge to steer stronger in going forward.

As the ongoing pandemic crisis unfolds, the role of digital space is emerging fast. While most companies are struggling with digital transformation, your Company prepared well to deal with unprecedented times. Be it remote working or collaborative approach to get things going, your Company ensured efficient, smooth and timely services to the customers. Moreover, the growth of your online platform, **iSave**, has been phenomenal. Saving options from the comfort of the home is what everyone needs during these difficult times and it is satisfying to note that **iSave** provides the perfect solution by making savings seamless, hassle-free and purely digital. Additionally, your PayPak Debit Card further opened a world of convenience and comfort by allowing investors to conduct contactless transactions. The way your Company has seized Fintech opportunities and inspired the overall industry to incorporate technological advancements in products, as well as services, is commendable.

The previous Board completed its term on February 06, 2020 and a new Board was elected consisting of seven (7) members. The composition of the Board reflects diversified backgrounds and rich experience in the fields of business, finance, banking, marketing and regulations. Mr. Nasim

CHAIRMAN'S REVIEW REPORT

Beg, Mr. Ahmed Jahangir and Mirza Qamar Beg between them bring decades of varied experience on the Board whereas Mr. Kashif A. Habib, Syed Savail Meekal Hussain and Ms. Mavra Adil Khan bring the requisite energy and innovative ideas for the Company. The former and existing Board committees 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. As required under the Listed Companies (Code of Corporate Governance) Regulations, 2019, Mirza Qamar Beg, an independent director, is heading the Board's Audit Committee (BAC) and Human Resources and Remuneration Committee (HR&R).

I am confident that the newly elected Board will perform its duties and responsibilities diligently and contribute effectively in steering the Company in its strategic objectives. As a Board, we strive to maintain and strengthen a high level of corporate governance, continuously improving corporate transparency, ensuring the healthy development of your Company and endeavouring to enhance and maintain the highest corporate values.

On completion of their terms, Mian Muhammad Mansha and Mr. Samad A. Habib did not opt for re-election on the Board of the Company. Since the merger of MCB Asset Management Company and Arif Habib Investments Management Limited, Mian Muhammad Mansha had been the Chairman of the Board. Under his wise guidance, the Company successfully accomplished post-merger synergies and witnessed exceptional growth over the years. Although Mian Muhammad Mansha is no longer serving on the Board of the Company, the Company continues to be able to rely on his guidance whenever needed. The representation on the Board of the Company from Arif Habib Corporation Limited continues with Mr. Kashif A. Habib who replaced Mr. Samad A. Habib. I would like to express our gratitude and appreciation for the resolute efforts made by Mian Muhammad Mansha and Mr. Samad A. Habib for the betterment of the Company and its employees. I would also like to welcome Mr. Kashif A. Habib and Ms. Mavra Adil Khan on the Board of the Company.

The Company remains dedicated in its constant efforts towards enhancing shareholders' value while continuing to bring out products of the highest quality with innovation, efficiency and cost-optimizing initiatives.

The directors acknowledge with gratitude the outstanding work and ongoing dedication of the Company's management and staff throughout the outgoing year.

Finally, I would like to thank all our shareholders, many of whom have stayed alongside us from the inception of our journey and I sincerely hope that the bond we share continues to flourish in the years ahead.



Mr. Haroun Rashid

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, 2020.

PRINCIPAL BUSINESS

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

THE BUSINESS ENVIRONMENT

Economy and Money Market Review

Financial Year 2019-20 (FY20) was a tale of two halves as macroeconomic consolidation process which was on track during the first half was seriously disrupted by the Covid'19 pandemic in the second half. Global cases topped 17 million, while more than 650,000 people became the morsel of death as the fatal outbreak continued to spread throughout the world. The pandemic wreaked havoc on the global economy as worldwide lockdowns lowered the overall consumption patterns along with causing massive unemployment. The International Monetary Fund(IMF) predicts that the global economy will shrink 4.9 per cent this year, which would be the worst annual contraction after the Second World War.

On the local front, the economy was locked down at a large scale till May as the health infrastructure was overwhelmed with number of cases. As a result of the output gap, the forecasts for economic growth were lowered to negative 0.4 per cent, compared to earlier growth expectations of 2.4 per cent. Large Scale Manufacturing (LSM) and Services sector had to bear the major brunt resulting from lockdowns. LSM contracted by 10.3 per cent during the first eleven months of FY20. Amongst the major industries, Automobiles and Iron & Steel witnessed a sharp downfall, declining by 44.8 per cent and 17.0 per cent respectively. Textile with the largest weight in LSM, also contracted by 11.0 per cent after global lockdowns put a halt on exports. Moreover, the Agriculture sector also disappointed as the production of major crops (Cotton, Wheat and Sugar) remained well below the target levels.

Fiscal consolidation was seriously disrupted after the lockdowns caused massive shortfall in tax collection. FBR managed to collect PKR 4.0 trillion against the earlier envisaged target of PKR 4.8 trillion. Till Feb 2020, the tax collection was growing at a rate of approximately 16 per cent Year on Year (YoY), however during the last four months of the fiscal year, the tax collection saw a massive contraction of approximately 20 per cent YoY which resulted in a huge shortfall. Alongside, Government rolled out a social safety program to insulate masses from vulnerabilities posed by lockdown, which resulted in more than desired expenditures. As a result of this, it is expected that fiscal deficit will fall north of 9.0 per cent of GDP.

Lagged impacts of policy action in terms of monetary tightening and exchange rate adjustments continued to bear fruits as reflected in improvement in Balance of Payments position. The current account deficit during the year contracted by approximately 78 per cent on YoY basis to USD 2.8 billion. A major portion of reduction in current account deficit was explained by decline in imports of goods and services as it compressed by approximately 19 per cent, translating into a reduction of USD approximately 12 billion. Remittances also remained resilient as they increased by approximately 6 per cent during the year to USD 23.1 billion. Foreign Direct Investment (FDI) stood at USD approximately 2.5 billion, up 75 per cent compared to last year as renewal of Telecom Licenses and onset of power sector projects fetched new investments. Debt related flows from IMF and multilateral institutions also kept the overall financial flows in the positive zone. Pakistan received USD 2.4 billion from IMF and more than USD 5 billion approximately were disbursed by the multilateral institutions for various programs. Overall, the financial account generated a surplus of USD 7 billion approximately. As a result, foreign exchange reserves of SBP grew by USD 4.9 billion during the year to close at USD 12.1 billion. While import cover improved from 1.7 times to 2.6 times, it is still below the accepted global benchmarks. PKR saw a nominal depreciation of 3.2 per cent against USD during the year to close at 168.2.

DIRECTORS' REPORT

Average Consumer Price Index (CPI) for FY20 clocked in at 10.8 per cent, compared to 6.8 per cent witnessed during the preceding year. Food inflation was prominent during the year averaging at 14.5 per cent, after supply side weakness caused a spike in the prices of some essential commodities and perishable food items. Sugar prices increased by approximately 29 per cent, while Wheat flour saw an increase of approximately 16 per cent during the year. Among perishable items, onion and potatoes witnessed a hike of approximately 70 per cent and 65 per cent respectively. However, the inflationary pressures have started trending downwards with inflation for June clocking in at 8.6 per cent as lower petroleum prices along with easing food inflation have put a break on overall inflation. Nevertheless, core inflation as measured by Non Food Non Energy was still controlled and averaged 7.9 per cent for the period.

The Monetary Policy Committee (MPC) remained proactive throughout the calendar year and reduced the interest rates by record 625 basis points (bps) to bring the policy rate at 7.0 per cent. Recessionary pressures due to Covid'19 and lower expectation of inflation were the primary drivers behind the unprecedented move. Alongside, the Central Bank announced various schemes to lessen the burden of financial emergencies in the System. Nearly PKR 650 billion of loans were deferred by commercial banks for one year, while close to PKR 150 billion of loans were restructured.

Yield curve started to slope downward during the first half of FY20 before the monetary easing started, in anticipation of lower inflation. As the pandemic struck during the start of the calendar year and the recessionary pressures became imminent, Central Bank pursued aggressive monetary easing and reduced the policy rate by cumulative 625 bps in several meetings. As a result, the yield curve further shifted downwards during the period. Three Years (3Y), Five Years (5Y) and Ten Years (10Y) bonds eased off by 632, 577 and 503 bps respectively during the year. The yield curve has again started to slope upwards as the market participants are expecting the interest rates to bottom out.

Equity Market Review

Similar to economic story, the equity markets were also a tale of two halves. During the first half, investors cherished the gains posted by macroeconomic consolidation with the benchmark KSE-100 index rallying by 19.8 per cent. However, as panic hit equity markets around the globe post novel coronavirus spread, KSE-100 Index was no different. The benchmark index plunged by approximately 16 per cent in the second half of the fiscal year, reversing most of the gains of the fiscal year. Notwithstanding, the KSE-100 managed to post a nominal positive return of 1.5 per cent for full year of FY20, breaking the streak of two successive years of negative returns. Foreigners selling remained unabated, as they sold USD 285 million of equities, remaining in the red zone for the fifth successive year. Individuals and Insurance companies remained net buyers adding USD 213 and USD 128 respectively to their positions. Daily traded volumes averaged at 194 million shares (up 26.2 per cent YoY), while daily traded value averaged PKR 7.2 billion (up 10.4 per cent YoY) during the period.

Pharmaceuticals, Construction & Materials & Fertilizers were the major outperformers during the year, posting returns of approximately 45 per cent, 43 per cent and 23 per cent respectively. Pharmaceutical companies were in limelight as Covid'19 unleashed the potential of the sector. Cement sector companies gained traction as interest rates were lowered and the marketing arrangement between the players strengthened. While, fertilizer plays had a decent run as dividend yielding stocks got highlighted after successive interest rate cuts. On the flip side, the major index heavy weights, Commercial Banks and E&P's underperformed the benchmark by posting negative returns of approximately 14 per cent and 10 per cent respectively. Commercial Banks underperformed as record monetary easing caused Net Interest Margins (NIMS) compression, while Exploration and Production's (E&P) underperformance was explained by a slump in crude oil prices, after Saudi Arabia started a price war as an agreement wasn't reached between the Organization of Petroleum Exporting Countries (OPEC) and Russia. Alongside, a weak global demand amidst the contagious virus added fuel to the fire.

Economy & Market – Future Outlook

Gross Domestic Growth (GDP) growth for FY21 is projected at 2.0 per cent by Government and various institutions. Pakistan has essentially survived the first wave of pandemic, as number of daily cases (approximately 1,000) have reduced to one-sixth of the peak daily cases (approximately 6,000) witnessed during early June. While most of the sectors have been opened, few sectors are still virtually closed and operating below the potential capacity. Barring a second wave of Covid, we expect the economy to fully gear

DIRECTORS' REPORT

up by the second quarter of fiscal year. A potential vaccine by the end of the calendar year will also allow the global activities to fully resume in the next calendar year. With a lower base and various stimulus measures, we expect Government to meet the annual target for GDP growth. Monetary stimulus announced by Central Bank will pave the way to revive the growth in cyclical industries. Moreover, Government's construction package will also provide the much needed impetus to demand led growth.

Balance of Payment worries are over for now as Current Account Deficit (CAD) has adjusted to reasonable level since the policy actions taken by the Central Government. The fall of international oil prices to USD 40/BBL has come as a blessing in disguise. Global economy has started to recover and the news flow suggests that the exports are gaining momentum. Remittances have also been far above the general expectations and in fact 50 per cent YoY growth in June has surprised everyone. Even accounting for a 10 per cent decline in remittances, the overall situation will remain in comfortable zone. We expect CAD to settle at 1.6 per cent of GDP in the FY21, which can be easily financed via flows from foreign investments and debt flows. Swift continuation of IMF program will be a key prerequisite to keep the financial account in positive zone. With the current scenario, we expect foreign exchange reserves to further increase by USD 2 billion during the next year, which will help alleviate any pressure on currency.

CPI is expected to tone down to an average of approximately 7.5 per cent during the next year assuming average oil prices of USD 40/BBL. Central Bank has already adjusted the policy rate to 7.0 per cent in the wake of lower expected inflation. The inflation trajectory would remain below 7.0 per cent during the first half of the fiscal year due to lower petroleum prices, thus causing the policy rate to remain positive. However, during the second half as the impact of low base resumes, inflation will move above the policy rate, which means that Central Bank will be prompted to adjust the interest rates under the normal economic scenario. However, a better than expected scenario on the balance of payment side will allow Central Bank to continue the current policy rate.

Fiscal department will remain an Achilles heel for the Government as it is expected to remain north of 7.0 per cent. With limited expected growth in taxes, we believe Government will not have much room to provide impetus via public development spending. Alongside, Government reliance on borrowing via domestic sources will continue to crowd out private sector investment. In an environment where Government muscles have been reined in, the importance of private sector will continue to dominate in reviving the overall economic growth.

From capital market perspective, particularly equities, we are getting a much clearer picture now. As Covid curve continues to flatten out, the valuations are catching up with historical norms. Barring a second wave of the virus, we think equities have a lot to offer to the investors. Market cap to GDP ratio is at 17.5 per cent, still at a discount of 33 per cent from its historical average. Similarly, risk premiums are close to 4.0 per cent, compared to historical average of 0.9 per cent signifying decent upside for long term investors. We believe a micro view of sectors and stock will remain more important this year and investment selection should focus on companies which trade at a deep discount to their intrinsic value. Similarly, focus should also revert back to companies that are expected to exhibit stellar earnings growth over the medium term.

For debt holders, we expect Money Market Funds to continue to seamlessly mirror policy rates throughout the year. On the other hand, Government Bonds have priced in the anticipated yield curve. We remain cautious at the current levels of bond yields and would continue to monitor the data points to capitalize on opportunities.

Mutual Fund Industry Review

The Net Assets of the open end mutual fund industry increased by approximately 45 per cent to approximately PKR 742 billion at the end of FY20. Total money market funds grew by approximately 97 per cent since June 2019. Within the money market sphere, Shariah Compliant Funds dominated as they grew at a rate of approximately 276 per cent to PKR 109.1 billion. Equity and related funds saw a decline of approximately 9.2 per cent from PKR 247 billion to PKR 224 billion over the period under review.

In terms of the segment share, Money Market funds commanded approximately 42 per cent of the share followed by Equity & Equity related funds with a share of approximately 30 per cent and Income funds having a share of approximately 25 per cent as at the end of FY20.

Amongst pension funds, total Conventional fund size increased by approximately 17.9 per cent to PKR 10.7 billion and Islamic fund size also rose significantly by approximately 19 per cent to PKR 19.8 billion.

DIRECTORS' REPORT

Mutual Fund Industry Outlook

Record decline in interest rates have reinstated the confidence in risk asset classes. We expect liquidity to gear up towards equity and related funds. The sustainability of liquidity will however depend on how the economy transitions through this phase of pandemic. Our operations remained seamless and given our competitive edge due to aggressive investment in digital access and online customer experience, the environment provides an opportunity with growing number of investors available online.

COMPANY'S PERFORMANCE REVIEW

Financial Year 2019-2020 has been one of very successful years for the Company. During the year, the Company has shown significant growth and generated net increase in AUMs of Rs. 29.4 billion; resultantly as on June 30, 2020, the Company is managing AUMs of Rs. 109.3 billion compared to Rs. 79.9 billion as on June 30, 2019.

Moreover, during the year due to active fund management the Company was able to earn Rs. 126 million on its investment compared to loss of Rs. 46 million in the corresponding period.

The increase in AUMs coupled with active fund management resulted in Company earning Profit after tax of Rs. 257.6 million compared to last year profit of Rs. 24.2 million.

The earnings per share of current financial year ended June 30, 2020 is Rs. 3.58 as compared to Re. 0.34 per share in the previous financial year ended June 30, 2019.

To mitigate the effect of Covid 19 during the year to stimulus the economy the SBP reduce the Policy from **13.25% to 7%**. The management believes that during the first half of FY 21 the Policy Rate would be stable. Since the Management Fee of most of the Income Funds and Money Market Funds are directly linked with the Fund's return, due to lower interest rates income generated from Money Market Funds and Income Funds the Management Company will have a negative impact. However, due to lower interest rates the management expects rebalancing in the category from Money Market Funds and Income Funds to Equity based Funds, which have a higher management fee rates thus could have a positive impact on earning of the Management Company.

In its pursuit to rationalize operating costs, during the current financial year the Company had shifted one of its branches which has resulted in recognition of additional charge this year on account of leased hold improvements.

During the Financial Year 2019-20, the Company has adopted IFRS 16, 'Leases'. This standard replaces the current guidance in IAS 17, 'Leases' and had a far reaching change in accounting by lessees in particular. It requires lessees to recognize a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts. During the current year due to adoption of IFRS- 16 profit has decreased by Rs. 4.8 million. Moreover, the adoption also resulted in recording accelerated depreciation.

The Board has proposed a final dividend of 22.5 per cent (Rs. 2.25 per share) for the year ended June 30, 2020 as compared to 13.5 per cent (Rs. 1.35 per share) for the year ended June 30, 2019. This is an additional to the interim dividend of 10 per cent (Re. 1 per share).

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. 53,054,343 as per the audited financial statements for the year ended June 30, 2020 (Rs. 40,186,537 for the year ended June 30, 2019).

PRINCIPAL RISKS AND UNCERTAINTIES

Asset 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

DIRECTORS' REPORT

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.

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.

On July 01, 2019 the Company successfully commercially launched the **PayPak Debit Card**. By this MCBAH has once again become 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, the risk has been substantially reduced. Moreover, Plastic Card Insurance has also been obtained to minimize the Company's exposure.

During the second half of the year due to outbreak of Covid 19 and natural calamities like locust attack the economy started to deteriorate. However subsidies and other financial support packages offered by the Government for various economic sectors along with subsidized loans, deferral payments on debt and grants provided by various international donor agencies and friendly countries provided much needed financial support to the country. Economic chaos created by Covid-19 is expected to take some time to come back on rails both on international and local levels.

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

The Company believes in ever growing change, sustainability and be more digitally connected with our customers. Therefore, the online portal, **iSave**, has always been the focus. Moreover, protecting the employees in the wake of Covid-19 has been its top priority. All employees were provided with the relevant resources to work comfortably from home while ensuring efficient customer services. It shows that the Company strives to improve the well-being of both its employees as well as customers.

ASSET MANAGER RATING

The Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of "**AM2++**", to the Company. The Stability Ratings of the Collective Investment Schemes under management of the Company are as under:

	As at June 30, 2020	As at June 30, 2019	
	-----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)	AA- (f)	PACRA
MCB Cash Management Optimizer	AA + (f)	AA + (f)	PACRA
Alhamra Islamic Income Fund	AA- (f)	AA - (f)	PACRA
Alhamra Daily Dividend Fund	AA- (f)	AA- (f)	PACRA

DIRECTORS' REPORT

The Mutual Funds Association of Pakistan (MUFAP) is executing the Performance of the Mutual Funds on the basis of Mutual Funds' returns. MCBAH 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 Habib Savings and Investments Limited, holds 51.33 per cent of the outstanding ordinary shares of the Company.

CORPORATE GOVERNANCE

The Board comprises of eight (8) members including the Chief Executive Officer (CEO) and has a diverse mix of gender and knowledge. The Board consists of 1 female and 7 male directors, categorized as follows:

- 4 Non – Executive Directors;
- 3 Independent Directors; and
- 1 Executive Director (CEO).

The details of above are as under:

Sr. No.	Name	Status	Membership in other Board Committees
1.	Mr. Haroun Rashid	Non-Executive Director	None
2.	Mr. Nasim Beg	Non-Executive Director	(i) Audit Committee; and (ii) HR&R* Committee
3.	Mr. Ahmed Jahangir	Non-Executive Director	(i) Audit Committee; and (ii) HR&R* Committee.
4.	Mr. Kashif A. Habib	Non-Executive Director	Audit Committee
5.	Syed Savail Meekal Hussain	Independent Director	(i) Audit Committee; and (ii) HR&R* Committee.
6.	Mr. Mirza Qamar Beg	Independent Director	(i) Audit Committee (Chairman); and (ii) HR&R* Committee (Chairman).
7.	Ms. Mavra Adil Khan	Independent Director	HR&R* Committee
8.	Mr. Muhammad Saqib Saleem	Executive Director	HR&R* Committee

* HR&R stands for Human Resource and Remuneration

The term of the former Board of Directors completed on February 06, 2020. On the same date, an election of Directors was held in an Extra Ordinary General Meeting (EOGM). Mian Muhammad Mansha and Mr. Samad A. Habib – Non – executive directors on the Board of the Company, retired from the Board on completion of their terms. Mr. Kashif A. Habib and Ms. Mavra Adil Khan were elected on the Board.

The managerial objective of the Company is good corporate governance and compliance with best practices. As required under Listed Companies (Code of Corporate Governance) Regulations, 2019 (the 'Code', the Company has adopted the Code in letter and spirit as follows:

- a. The financial statements, present fairly the 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 as stated in the notes to the financial statements have been consistently applied in preparation of financial statements and accounting estimates are based on reasonable and prudent judgment;

DIRECTORS' REPORT

- 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 significant doubts upon the Company's ability to continue as going concern;
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations;
- h. Key operating and financial data of the last 6 years in summarized form is annexed;
- i. The outstanding taxes, statutory charges and duties, if any, have been fully disclosed in the audited financial statements, for detail please refer note no. 19.1, 19.2 & 20;
- j. The Board of Directors is ultimately responsible for Company's system of internal control and for reviewing its effectiveness. The Board, whilst maintaining its overall responsibility, has delegated the detailed design and operation of the system of internal controls to the Chief Executive. Company's system of internal controls comprises of clear governance structures, authority limits and accountabilities, well-understood policies and procedures. The Board meets quarterly to consider Company's financial performance, financial and operating budgets, business growth and developmental plans, capital expenditure proposals and other key performance indicators. The Audit Committee receives reports on the system of internal financial controls from the external and internal auditors and reviews the process for monitoring the effectiveness of internal controls;
- k. As at June 30, 2020, the Company is in compliance with the requirements 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:
 - (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 / 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 perform 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, 2020 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;

DIRECTORS' REPORT

o. During the year, the Company undertaken the following transactions with related parties:

- (i) Rental agreement with Adamjee Insurance Company Limited for head office premises;
- (ii) Disposal of furniture to Nishat Mills Limited; and
- (iii) Investment advisory services to Dolmen City REIT.

There are no other contracts or arrangement 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, six (6) meetings of the Board of Directors were held. The attendance of each Director is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mian Muhammad Mansha*	6	4	1	3
2. Mr. Nasim Beg	6	6	6	-
3. Mr. Haroun Rashid	6	6	5	1
4. Mr. Ahmed Jahangir	6	6	6	-
5. Mr. Samad A. Habib*	6	4	1	3
6. Mirza Qamar Beg	6	6	6	-
7. Syed Savail Meekal Hussain	6	5	5	-
8. Mr. Kashif A. Habib**	6	2	1	1
9. Ms. Mavra Adil Khan**	6	2	2	-
10. Mr. Muhammad Saqib Saleem (CEO)	6	6	6	-

*Mian Muhammad Mansha and Mr. Samad A. Habib retired from the Board effective February 06, 2020.

**Mr. Kashif A. Habib and Ms. Mavra Adil khan were elected on the Board on February 06, 2020.

q. Meeting of the Audit Committee.

During the year, eight (8) meetings of the Audit Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings held	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Haroun Rashid (Former Chairman)*	8	5	4	1
2. Mirza Qamar Beg(Chairman)	8	8	8	0
3. Mr. Nasim Beg	8	8	8	0
4. Mr. Ahmed Jahangir	8	8	7	1
5. Mr. Kashif A. Habib **	8	3	3	0
6. Syed Savail Meekal Hussain **	8	3	3	0

DIRECTORS' REPORT

* Mr. Haroun Rashid ceased to be chairmen/member of the committee effective February 07, 2020.

** Mr. Kashif A. Habib and Syed Savail Meekal Hussain became members of the committee post- elections.

r. Meeting of the Human Resource and Remuneration Committee.

During the year, four (4) meetings of the Human Resource and Remuneration Committee were held. The attendance of each participant is as follows:

Name of Persons	Number of meetings	Number of meetings		
		Attendance required	Attended	Leave granted
1. Mr. Mirza Qamar Beg (Chairman)	4	4	4	-
2. Mr. Haroun Rashid*	4	4	4	-
3. Mr. Ahmed Jahangir	4	4	4	-
4. Mr. Nasim Beg	4	4	4	-
5. Ms. Mavra Adil Khan**	4	-	-	-
6. Syed Savail Meekal Hussain**	4	-	-	-
7. Mr. Muhammad Saqib Saleem (CEO)	4	4	4	-

* Mr. Haroun Rashid ceased to be member of the committee effective February 07, 2020.

** Ms. Mavra Adil Khan and Syed Savail Meekal Hussain were appointed members of the committee post elections.

AUDITORS

The present editors, M/S KPMG Taseer Hadi & Co. Chartered Accountants, have completed their engagement for the year ended June 30, 2020 and shall retire on the conclusion of the 20th 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, 2021 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 Directors would like to express their deep appreciation to our shareholders who have consistently demonstrated their confidence in the Company. We would also like to place on record our sincere appreciation for the commitment, dedication and innovative thinking put in by each individual of the Company and are confident that they will continue to do so in the future.

For and on behalf of Board



Muhammad Saqib Saleem
Chief Executive Officer
Karachi: August 18, 2020.



Nasim Beg
Director and Vice Chairman

ڈائریکٹرز رپورٹ

۲. ہیومن ریسورس اینڈ ریمونزیشن کمیٹی کی میٹنگ

دوران سال ہیومن ریسورس اینڈ ریمونزیشن کمیٹی کی چار (4) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	نام
-	4	4	4	۱۔ جناب مرزا قمر بیگ (چیئر مین)
-	4	4	4	۲۔ جناب ہارون رشید *
-	4	4	4	۳۔ جناب احمد جہانگیر
-	4	4	4	۴۔ جناب نسیم بیگ
-	-	-	4	۵۔ محترمہ ماوراء عادل خان **
-	-	-	4	۶۔ سید ساویل میکال حسین **
-	4	4	4	۷۔ جناب محمد ثاقب سلیم (سی ای او)

* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئر مین اُن کن نہیں ہیں۔

** محترمہ ماوراء عادل خان اور سید ساویل میکال حسین کی بعد از انتخابات کمیٹی کے رکن کی حیثیت سے تقرری کی گئی۔

خارجی آڈیٹرز

موجودہ آڈیٹرز KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس نے 30 جون 2020 کو اختتام پذیر ہونے والے سال کے لئے اپنا کام پورا کر لیا ہے اور وہ 20 ویں عمومی اجلاس کی تکمیل پر ریٹائر ہو جائیں گے۔

بورڈ کی آڈٹ کمیٹی نے 30 جون 2021ء کو ختم ہونے والے سال کے کمپنی کے قانونی آڈیٹرز کے طور پر KPMG تاثیر ہادی اینڈ کمپنی چارٹرڈ اکاؤنٹنٹس کی دوبارہ تقریری 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

ڈائریکٹرز ہمارے حصص یافتگان کو خراج تحسین پیش کرتے ہیں کہ انہوں نے کمپنی میں مسلسل اعتماد کا اظہار کیا ہے۔ علاوہ ازیں، ہم کمپنی کے ہر ایک فرد کے عزم و اخلاص اور جدت پسندانہ سوچ کو بھی بے حد سراہتے ہیں اور ہمیں یقین ہے کہ وہ مستقبل میں بھی اسی طرح سرگرم عمل رہیں گے۔

من جانب ڈائریکٹرز،



نسیم بیگ

ڈائریکٹر / وائس چیئر مین



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

18 اگست 2020ء

ڈائریکٹرز رپورٹ

p. ڈائریکٹرز کی میٹنگ

دوران سال بورڈ آف ڈائریکٹرز کی چھ (6) میٹنگز منعقد ہوئیں۔ ڈائریکٹرز کی حاضری کی تفصیلات درج ذیل ہیں:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
3	1	4	6	۱۔ میاں محمد منشاء *
-	6	6	6	۲۔ جناب نسیم بیگ
1	5	6	6	۳۔ جناب ہارون رشید
-	6	6	6	۴۔ جناب احمد جہانگیر
3	1	4	6	۵۔ جناب صدائے حبیب *
-	6	6	6	۶۔ مرزا قمر بیگ
-	5	5	6	۷۔ سید ساویل میکال حسین
1	1	2	6	۸۔ جناب کاشف اے حبیب **
-	2	2	6	۹۔ محترمہ ماوراء عادل خان **
-	6	6	6	۱۰۔ جناب محمد ثاقب سلیم (سی ای او)

* میاں محمد منشاء اور جناب صدائے حبیب 06 فروری 2020ء کو بورڈ سے ریٹائر ہو گئے ہیں۔

** جناب کاشف اے حبیب اور محترمہ ماوراء عادل خان کا 06 فروری 2020ء کو بورڈ میں انتخاب ہوا ہے۔

q. آڈٹ کمیٹی کی میٹنگ

دوران سال آڈٹ کمیٹی کی آٹھ (8) میٹنگز منعقد ہوئیں۔ شرکاء کی حاضری درج ذیل ہے:

میٹنگز کی تعداد				نام
منظور شدہ رخصت	حاضری	مطلوبہ حاضری	منعقدہ میٹنگز کی تعداد	
1	4	5	8	۱۔ جناب ہارون رشید (سابقہ چیئرمین) *
0	8	8	8	۲۔ مرزا قمر بیگ (چیئرمین)
0	8	8	8	۳۔ جناب نسیم بیگ
1	7	8	8	۴۔ جناب احمد جہانگیر
0	3	3	8	۵۔ جناب کاشف اے حبیب **
0	3	3	8	۶۔ سید ساویل میکال حسین **

* جناب ہارون رشید 07 فروری 2020ء سے کمیٹی کے چیئرمین اراکین نہیں ہیں۔

** جناب کاشف اے حبیب اور سید ساویل میکال حسین کی بعد از انتخابات کمیٹی کے رکن کی حیثیت سے تقرری کی گئی۔

z. کمپنی کے انٹرئل کنٹرول (اندرونی معاملات کی نگرانی) کے نظام اور اس کی مؤثریت کا جائزہ لینے کی حتمی ذمہ داری بورڈ آف ڈائریکٹرز کی ہے۔ بورڈ نے اپنی مجموعی ذمہ داری قائم رکھتے ہوئے انٹرئل کنٹرولز کے نظام کے تفصیلی خاکے اور اس پر عمل درآمد کو چیف ایگزیکٹو کو تفویض کر دیا ہے۔ کمپنی کے انٹرئل کنٹرولز کا نظام گورننس کی واضح ساخت، اختیارات کی حدود اور احتسابات، واضح پالیسیوں اور طریقوں پر مشتمل ہے۔ کمپنی کی مالیاتی کارکردگی، مالیاتی اور آپریٹنگ بجٹوں، کاروباری اور ترقیاتی منصوبوں، کمپیٹل اخراجات کی تجاویز، اور کارکردگی کی دیگر کلیدی علامات کا جائزہ لینے کے لیے بورڈ کی سہ ماہانہ بنیادوں پر اجلاس ہوتا ہے۔ آڈٹ کمیٹی کو بیرونی اور اندرونی آڈیٹرز سے انٹرئل فنانشل کنٹرولز کے نظام کی رپورٹ موصول ہوتی ہے اور وہ اس کا جائزہ لیتی ہے تاکہ انٹرئل کنٹرولز کی مؤثریت کی نگرانی کر سکے۔

30.k جون 2020ء کو کمپنی کوڈ کے ریگولیشن نمبر 20 کے مطابق ڈائریکٹرز ٹریننگ پروگرام کی شرائط پر تعمیل پیرا ہے۔

a. بورڈ آف ڈائریکٹرز نے 14 ستمبر 2018ء کو منعقدہ 144 ویں اجلاس میں ڈائریکٹرز میوزیشن پالیسی (پالیسی) کو منظور کیا۔ پالیسی کی بنیادی نکات درج ذیل ہیں:

(i) 14 ستمبر 2018ء سے ہر نان ایگزیکٹو ڈائریکٹر کو بورڈ یا اس کی کمیٹیوں کے اجلاس میں شرکت کے عوض پچھتر ہزار (75,000) روپے ادا کیے جائیں گے؛

(ii) بورڈ کا نائب چیئر مین اضافی ذمہ داریوں، کی بدولت کچھ مخصوص مراعات اور اختیارات کا حقدار ہے، جن کو ملحق آڈٹ شدہ مالیاتی گوشواروں (نوٹ 32 ملاحظہ فرمائیے) میں ظاہر کیا گیا ہے؛

(iii) کسی بھی ایگزیکٹو ڈائریکٹر کو اضافی خدمات کا معاوضہ نہیں دیا جائے گا۔ تاہم اگر کوئی نان ایگزیکٹو ڈائریکٹر کوئی خصوصی خدمات دیتا ہے تو بورڈ اس کا معاوضہ پہلے سے طے کرے گا، اور مکمل حاضری (کورم) کی عدم موجودگی کی صورت میں کمپنی کے ارکان کے عمومی اجلاس میں طے کیا جائے گا۔

(iv) ایگزیکٹو ڈائریکٹر کا معاوضہ ہیومن ریسورس اینڈ میوزیشن کمیٹی کی تجویز پر بورڈ طے کرے گا جو ایگزیکٹو ڈائریکٹر کے کمپنی میں کردار اور اس کی ذمہ داریوں کی بنیاد پر ہوگی اور اس کے کمپنی میں کردار، تجربے اور ذمہ داریوں کی عکاسی کرتی ہوگی؛ اور

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

30.m جون 2020ء کو حصص یافتگی کا تفصیلی خاکہ ملحق ہے؛

n. بورڈ، اس کے ارکان اور کمیٹیوں کی کارکردگی کی جانچ کے لیے ایک رسمی اور مؤثر طریق کار نافذ کیا گیا ہے؛

o. دوران سال کمپنی نے متعلقہ پارٹیوں سے مندرجہ ذیل معاملات کیے:

(i) آدم جی انشورنس کمپنی سے ہیڈ آفس کے احاطے کے لیے کرائے کا معاہدہ؛

(ii) نشاط ملز لمیٹڈ کو فرنیچر کی فروخت؛

(iii) ڈولمن سٹی REIT کو سرمایہ کاری کی مشاورت کی خدمات۔

متعلقہ پارٹیوں سے مزید ایسے کوئی معاہدات یا انتظامات نہیں کیے گئے ہیں جن کو ظاہر کرنا کمپنیز ایکٹ 2017ء کی دفعہ 208 کے تحت مطلوب ہو۔

ڈائریکٹرز رپورٹ

تفصیلات درج ذیل ہیں:

نمبر شمار	نام	عہدہ	دیگر بورڈ کمیٹیوں میں رکنیت
1.	جناب ہارون رشید	Non ایگزیکٹو ڈائریکٹر	کوئی نہیں
2.	جناب نسیم بیگ	Non ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
3.	جناب احمد جہانگیر	Non ایگزیکٹو ڈائریکٹر	(i) آڈٹ کمیٹی؛ اور (ii) ایچ آر اینڈ آر کمیٹی *
4.	جناب کاشف اے حبیب	Non ایگزیکٹو ڈائریکٹر	آڈٹ کمیٹی
5.	سید ساویل میکال حسین	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی اور (ii) ایچ آر اینڈ آر کمیٹی *
6.	جناب مرزا قمر بیگ	خود مختار ڈائریکٹر	(i) آڈٹ کمیٹی (چیئر مین)؛ اور (ii) ایچ آر اینڈ آر کمیٹی * (چیئر مین)
7.	محترمہ ماوراء عادل خان	خود مختار ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *
8.	جناب محمد ثاقب سلیم	ایگزیکٹو ڈائریکٹر	ایچ آر اینڈ آر کمیٹی *

* ایچ آر اینڈ آر : ہیومن ریسورس اینڈ ریمونریشن

سابقہ بورڈ آف ڈائریکٹرز کی مدت 06 فروری 2020ء کو مکمل ہو گئی تھی۔ اسی تاریخ کو ایک غیر معمولی عمومی اجلاس (ای او جی ایم) میں ڈائریکٹرز کا انتخاب منعقد ہوا۔ میاں محمد منشاء اور جناب صمد اے حبیب - کمپنی کے بورڈ میں نان ایگزیکٹو ڈائریکٹر - اپنی مدت کے اختتام پر بورڈ سے ریٹائر ہوئے۔ جناب کاشف اے حبیب اور محترمہ ماوراء عادل خان کا بورڈ میں انتخاب ہوا۔

کمپنی کا انتظامی مقصد عمدہ کارپوریٹ گورننس اور بہترین روایات پر عمل ہے۔ لسٹڈ کمپنیز (کوڈ آف کارپوریٹ گورننس) ریگولیشنز 2019ء ('کوڈ') کے مطابق کمپنی نے کوڈ کو جامع انداز میں اختیار کیا ہے جیسا کہ ذیل میں بیان کیا جا رہا ہے:

- مالیاتی گوشوارے کمپنی کے معاملات کی صورتحال، اس کی سرگرمیوں کے نتائج، نقد کی آمدورفت 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 باقاعدگی کے ساتھ اطلاق کیا گیا ہے اور اکاؤنٹنگ تخمینے معقول اور محتاط اندازوں پر مبنی ہیں؛
- مالیاتی گوشواروں کی تیاری میں بین الاقوامی مالیاتی رپورٹنگ کے معیارات کی تعمیل (پاکستان میں اطلاق کی حد) کی گئی ہے اور ان سے کسی بھی انحراف کو خاطر خواہ حد تک ظاہر اور واضح کیا گیا ہے؛
- انٹرنل کنٹرول کا نظام مستحکم خطوط پر استوار اور موثر انداز میں نافذ کیا گیا ہے اور اس کی موثر نگرانی کی جاتی ہے، اور اسے مزید بہتر بنانے کی کوششیں جاری ہیں؛

f. کمپنی کے کاروبار جاری رکھنے کی صلاحیت میں کسی قسم کے کوئی شبہات نہیں ہیں؛

g. لسٹنگ ریگولیشنز میں واضح کردہ کارپوریٹ گورننس کی بہترین روایات سے کوئی قابل ذکر انحراف نہیں ہوا ہے؛

h. کمپنی کے کام کاج اور مالیات سے متعلق گزشتہ 6 برسوں کے کلیدی اعداد و شمار اختصار کے ساتھ ملحق ہیں؛

i. واجب الاداء ٹیکسز، قانونی چارجز اور ڈیوٹیوں کو (اگر کوئی ہیں تو) آڈٹ شدہ مالیاتی گوشواروں میں مکمل طور پر ظاہر کیا گیا ہے۔ تفصیلات کے لئے نوٹ 19.1، 19.2 اور 20 ملاحظہ فرمائیں۔

ڈائریکٹرز رپورٹ

	30 جون 2019ء	30 جون 2020ء	
درجہ بندی کرنے والی ایجنسی	استحکام کی درجہ بندی		
پاکرا	AA + (f)	AA + (f)	پاکستان کیش مینجمنٹ فنڈ
پاکرا	A + (f)	A + (f)	پاکستان انکم فنڈ
پاکرا	AA - (f)	AA - (f)	ایم سی بی پاکستان Sovereign فنڈ
پاکرا	A + (f)	A + (f)	پاکستان انکم انہینسمنٹ فنڈ
پاکرا	AA - (f)	AA - (f)	ایم سی بی ڈی سی ایف انکم فنڈ
پاکرا	AA + (f)	AA + (f)	ایم سی بی کیش مینجمنٹ آپٹیمائزر
پاکرا	AA - (f)	AA - (f)	الحمرء اسلامک انکم فنڈ
پاکرا	AA - (f)	AA - (f)	الحمرء ڈیلی ڈیویڈنڈ فنڈ

میوچل فنڈز ایسوسی ایشن آف پاکستان (MUFAP) میوچل فنڈز کی کارکردگی کو منافعوں کی بنیاد پر جانچ رہا ہے۔ ایم سی بی اے ایچ نے اپنی ایکوٹی پر بنی اجتماعی سرمایہ کاری اسکیموں کے لیے MUFAP کی کارکردگی کی درجہ بندی حاصل کی ہے۔

ہولڈنگ کمپنی

ایم سی بی عارف حبیب سیونگزن اینڈ انویسٹمنٹس لمیٹڈ کی parent کمپنی ایم سی بی بینک لمیٹڈ ہے جو کمپنی کہ 51.33 فیصد واجب الاداء عمومی حصص کی حامل ہے۔

کارپوریٹ گورننس

بورڈ آف (8) ارکان بشمول چیف ایگزیکٹو آفیسر (سی ای او) پر مشتمل ہے اور اس میں صنف اور علم کا متنوع امتزاج موجود ہے۔ بورڈ میں 1 خاتون اور 7 حضرات ڈائریکٹرز شامل ہیں جو مندرجہ ذیل زمروں میں مختص ہیں:

4 نان ایگزیکٹو ڈائریکٹرز؛

3 خود مختار ڈائریکٹرز؛ اور

1 ایگزیکٹو ڈائریکٹر (سی ای او)

کے حوالے سے دانشمندانہ طرز عمل) پر محتاط انداز میں عمل کریں کیونکہ ان قواعد و ضوابط کی خلاف ورزی پر بھاری جرمانے عائد ہو سکتے ہیں۔ چنانچہ اے ایم سی کے لئے قانونی خطرات میں اضافہ ہو جاتا ہے، اور ایم سی بی اے ایچ ان ہی بھاری لیکن ضروری شرائط کی تعمیل کو یقینی بنانے کے لیے پُر عزم ہے۔

یکم جولائی 2019ء کو کمپنی نے PayPak ڈیبٹ کارڈ متعارف کرایا۔ اس اقدام کی بدولت ایم سی بی اے ایچ ایک بار پھر پاکستان کی پہلی اے ایم سی بن گئی ہے جس کا اپنا ڈیبٹ کارڈ ہے۔ اس ڈیبٹ کارڈ کو متعارف کرانے سے کمپنی کو آن لائن دھوکے بازی کا خطرہ لاحق ہو سکتا ہے۔ تاہم چونکہ یہ کارڈ صرف پاکستان میں قابل استعمال ہے چنانچہ یہ خطرہ کافی حد تک کم ہو گیا ہے۔ مزید برآں، پلاسٹک کارڈ کا بیمہ بھی حاصل کر لیا گیا ہے۔ سال کے نصف آخر کے دوران کو وڈو بقاء اور قدرتی آفات مثلاً ٹڈی دل حملے کے باعث معیشت تنزلی کا شکار ہونا شروع ہو گئی۔ تاہم حکومت کی طرف سے مختلف معاشی شعبوں کے لیے سبسڈیز اور مالی معاونت کے پیکیجز، بشمول آسان قرضہ جات، قرضوں کی ملتوی شدہ ادائیگیوں، اور عطیات فراہم کرنے والی مختلف بین الاقوامی ایجنسیوں اور دوست ممالک کے ذریعے مطلوبہ مالی معاونت حاصل ہوئی۔ کو وڈو ۱۹ سے پیدا ہونے والے معاشی مسائل سے بحال ہونے میں بین الاقوامی اور مقامی دونوں سطحوں پر کافی وقت لگے گا۔

مزید برآں، کمپنی، یا کسی اور کمپنی جس سے کمپنی کا مفاد وابستہ ہو، کے کاروبار کی نوعیت میں دوران مالی سال کوئی تبدیلی نہیں ہوئی ہے۔

کارپوریٹ سماجی ذمہ داری اور ماحول پر اثر

کمپنی مسلسل بنیاد پر ترقی پذیر تبدیلی اور تحفظ پسندی، اور صارفین سے ڈیجیٹل طور پر منسلک رہنے پر یقین رکھتی ہے۔ چنانچہ ”آئی سیو“ (iSave) آن لائن پورٹل ہمیشہ توجہ کا مرکز رہا ہے۔ مزید برآں، کو وڈو ۱۹ کے تناظر میں ایپلائیز کی حفاظت اولین ترجیح تھی۔ تمام ایپلائیز کو گھر سے آسانی کام کرنے کے لیے مطلوبہ وسائل فراہم کیے گئے تھے اور ساتھ ساتھ صارفین کو مؤثر خدمات کی فراہمی کو بھی یقینی بنایا گیا تھا۔ اس سے ظاہر ہوتا ہے کہ کمپنی اپنے ایپلائیز اور صارفین، دونوں کی فلاح کے لیے سرگرم عمل ہے۔

اثاثہ جاتی انتظام کی درجہ بندی (ایسیٹ مینجریٹنگ)

پاکستان کریڈٹ ریٹنگ ایجنسی لمیٹڈ (پاکرا) نے کمپنی کو "AM2++" کی ایسیٹ مینجریٹنگ دی۔ کمپنی کے زیر انتظام اجتماعی سرمایہ کاری کی اسکیموں کے استحکام کی درجہ بندیاں درج ذیل ہے:

سے کم کر کے 7 فیصد کر دیا۔ انتظامیہ سمجھتی ہے کہ مالی سال 2020-21ء کے نصف اول کے دوران پالیسی شرح مستحکم رہے گی۔ چونکہ اکثر انکم فنڈز اور منی مارکیٹ فنڈز کی مینجمنٹ فیس فنڈ کے منافع سے براہ راست منسلک ہے، چنانچہ انٹریسٹ کی پست شرحوں کے باعث ان فنڈز سے پیدا ہونے والی آمدنی کا منفی اثر ہوگا۔ تاہم انٹریسٹ کی پست شرحوں کے باعث انتظامیہ پُر امید ہے کہ انکم فنڈز اور منی مارکیٹ فنڈز سے ایکویٹی پر مبنی فنڈز کے ذریعے اس زمرے میں دوبارہ توازن قائم ہوگا کیونکہ ایکویٹی پر مبنی فنڈز کی مینجمنٹ فیس زیادہ ہونے کے باعث مینجمنٹ کمپنی کی آمدنی پر مثبت اثر پڑ سکتا ہے۔

آپریٹنگ لاگوں کو مؤثر بنانے کی جستجو میں موجودہ مالی سال کے دوران کمپنی نے اپنی ایک برانچ کو منتقل کیا تھا جس کے نتیجے میں اس سال لیز شدہ اثاثوں میں اضافی اخراجات ہوئے ہیں۔

مالی سال 2019-20ء کے دوران کمپنی نے بین الاقوامی مالیاتی رپورٹنگ کے معیار (آئی ایف آر ایس) 16 'لیز' کو اختیار کیا۔ یہ معیار اب بین الاقوامی اکاؤنٹنگ کے معیار (آئی اے ایس) 17 'لیز' کا متبادل ہے اور یہ خصوصاً lessees کی اکاؤنٹنگ میں ایک دُور رس تبدیلی ہے۔ اس کے مطابق lessees کو تمام لیز معاہدوں کے لیے لیز کی آئندہ ادائیگیوں اور حق استعمال کے حامل اثاثے (right-of-use asset) کی عکاسی کے ذریعے لیز کا اظہار کرنا ہے۔ آئی ایف آر ایس 16 اختیار کرنے کے نتیجے میں منافع میں 4.8 ملین روپے کمی ہو گئی ہے۔ علاوہ ازیں، accelerated depreciation ریکارڈ کی گئی۔

بورڈ نے سال مُختتمہ 30 جون 2020ء کے لیے 22.5 فیصد (2.25 روپے فی شیئر) حتمی ڈیویڈنڈ تجویز کیا ہے جبکہ سال مُختتمہ 30 جون 2019ء کے لیے 13.5 فیصد (1.35 روپے فی شیئر) تھا۔ یہ عبوری ڈیویڈنڈ 1 روپے فی شیئر کے علاوہ ہے۔

کمپنی کے بورڈ آف ڈائریکٹرز کی مجموعی طور پر ذمہ داری ہے کہ اس بات کو یقینی بنائیں کہ ادارے کے اندرونی مالیاتی کنٹرولز کا نظام مطلوبہ ضروریات کے مطابق ہے اور مؤثر انداز میں نافذ العمل ہے۔

سال مُختتمہ 30 جون 2020ء کے آڈٹ شدہ مالیاتی گوشواروں کے مطابق پینشن فنڈز میں ایمپلائز کی سرمایہ کاری کی مالیت 53,054,343 روپے ہے (سال مُختتمہ 30 جون 2019ء کے لیے 40,186,537 روپے)۔

بنیادی خطرات اور عدم یقینی عناصر

اثاثہ جات تحت الانتظامیہ (اے یو ایم) نے، جو اثاثہ جاتی انتظام کی صنعت کی شہ رگ ہے، ماضی میں درمیانے درجے کی ترقی کی ہے۔ اس کی وجہ ایک طرف معاشرے میں بچت کا کمزور رجحان اور دوسری طرف عوام کی دستاویزی کارروائی میں عدم دلچسپی ہے۔ کارپوریٹ سیکٹر چونکہ مالیاتی اعتبار سے آگاہی کا حامل شعبہ ہے اس لئے عوام الناس کی نسبت میوچل فنڈز میں سرمایہ کاری کی جانب زیادہ مائل ہے۔ بھرپور مسابقت والی اس صنعت کی طرف لوگوں کو مائل کرنے کے لئے اثاثہ جاتی انتظام کی کمپنیوں (اے ایم سی) نے آن لائن حل متعارف کرائے ہیں۔ ان اقدامات کو شروع کرنے اور چلانے میں خاطر خواہ لاگت آتی ہے، جبکہ بھرپور منافع کی مانگ کے باعث مینجمنٹ فیس میں اضافہ ممکن نہیں ہو پا رہا ہے۔ چنانچہ اے ایم سی کی آمدنی پر دباؤ پڑنے کا سلسلہ بدستور قائم ہے۔ اخراجات پورے کرنے اور منافع بخش ہونے کے لئے واحد حل سرمایہ کاریوں کا بڑا حجم ہے۔

حکومت Know Your Customer (کے وائے سی) کی شرائط سے متعلق مسائل کے حوالے سے محتاط ہو گئی ہے تاکہ اینٹی منی لائڈرنگ (اے ایم ایل) - غیر قانونی طور پر ملک سے باہر پیسہ بھیجنے کے خلاف مہم اور کمبائٹنگ دی فائنڈنگ آف ٹیریزم (سی ایف ٹی) - دہشت گردی کے لئے پیسہ فراہم کرنے کے خلاف مہم کو آگے بڑھایا جاسکے۔ اس طرح اے ایم سی پر بھاری ذمہ داری آتی ہے کہ کسٹمر ڈیو ڈیلیجنس (سی ڈی ڈی) - صارفین

میوچل فنڈ صنعت کا جائزہ

اوپن end میوچل فنڈ صنعت کے net اثاثہ جات تقریباً 45 فیصد بڑھ کر مالی سال 2020ء کے اختتام پر تقریباً 742 بلین روپے ہو گئے۔ منی مارکیٹ کے مجموعی فنڈز میں جون 2019ء کے مقابلے میں 97 فیصد اضافہ ہوا۔ زیر جائزہ مدت کے دوران منی مارکیٹ کے دائرے میں شریعہ کمپلائنس فنڈز حاوی رہے کیونکہ وہ 276 فیصد کی شرح سے بڑھ کر 109.1 بلین روپے ہو گئے، جبکہ ایکویٹی اور متعلقہ فنڈز میں تقریباً 9.2 فیصد کمی ہوئی اور وہ 247 بلین روپے سے 224 بلین روپے ہو گئے۔

مالی سال 2020ء کے اختتام پر شعبہ جاتی سرمایہ کاری کے اعتبار سے منی مارکیٹ فنڈز تقریباً 42 فیصد، ایکویٹی اور متعلقہ فنڈز تقریباً 30 فیصد، اور انکم فنڈز تقریباً 25 فیصد حصے کے حامل تھے۔

پینشن فنڈز میں کنونینشنل فنڈز کے مجموعی حجم میں تقریباً 17.9 فیصد اضافہ ہوا اور وہ 10.7 بلین روپے ہو گئے، اور اسلامک فنڈ کے حجم میں بھی خطیر اضافہ ہوا یعنی تقریباً 19 فیصد، اور وہ 19.8 بلین روپے ہو گئے۔

میوچل فنڈ صنعت کا مستقبل کا منظر

انٹریسٹ کی شرحوں میں اب تک کی سب سے زیادہ کمی کی بدولت رسک اثاثہ جات کے زمروں میں اعتماد بحال ہوا ہے۔ نقدیت کی ایکویٹی اور متعلقہ فنڈز کے شعبے میں بہتری متوقع ہے۔ تاہم نقدیت کی پائیداری کا انحصار اس بات پر ہوگا کہ معیشت اس وباء کے مرحلے سے کس طرح گزرتی ہے۔ ہمارے آپریشنز بلا رکاوٹ جاری رہے، اور ڈیجیٹل رسائی اور آن لائن سہولیات میں بھرپور سرمایہ کاری کے نتیجے میں ہمیں جو سبقت حاصل ہے اس کی بدولت ہم آن لائن دستیاب سرمایہ کاروں کی بڑھتی ہوئی تعداد سے استفادہ کر سکیں گے۔

کمپنی کی کارکردگی کا جائزہ

مالی سال 2019-20ء کا شمار کمپنی کے بے حد کامیاب برسوں میں ہوتا ہے۔ دوران سال کمپنی نے قابل ذکر ترقی کی ہے اور اثاثہ جات تحت الانظامیہ (اے یو ایم) میں 29.4 بلین روپے کا net اضافہ ہوا جس کے نتیجے میں 30 جون 2020ء کو کمپنی 109.3 بلین روپے مالیت کے اے یو ایم کی حامل ہے جبکہ 30 جون 2020ء کو یہ 79.9 بلین روپے مالیت کے تھے۔

علاوہ ازیں، دوران سال فنڈ کے متحرک انتظام کی بدولت کمپنی نے اپنی سرمایہ کاری سے 126 ملین روپے منافع حاصل کیا جبکہ مماثل مدت میں 46 ملین روپے خسارہ ہوا تھا۔

اے یو ایم میں اضافے اور فنڈ کے متحرک انتظام کے نتیجے میں کمپنی نے 257.6 ملین روپے منافع بعد از ٹیکس حاصل کیا جبکہ گزشتہ سال یہ منافع 24.2 ملین روپے تھا۔

موجودہ مالی سال مئی 2020ء کی آمدنی فی شیئر 3.58 روپے ہے جبکہ گزشتہ مالی سال مئی 2019ء میں یہ 0.34 روپے تھی۔

دوران سال کو وڈ ۱۹ کے اثرات کو زائل کرنے اور معیشت کو محرک فراہم کرنے کے مقصد سے اسٹیٹ بینک آف پاکستان نے پالیسی شرح کو 13.25 فیصد

خبریں گردش میں ہیں اُن کے مطابق برآمدات میں تیزی آرہی ہے۔ ترسیلاتِ زر بھی عمومی متوقع سطح سے کافی زیادہ ہوئی ہیں، بلکہ ماہ جون میں 50 فیصد 2020-21ء میں مجموعی ملکی پیداوار کے 1.6 فیصد پرزے گا، اور اس کے لیے غیر ملکی سرمایہ کاریوں اور قرضہ جاتی آمدات سے آسانی رقم فراہم کی جاسکتی ہے۔ مالی اکاؤنٹ کو مثبت حدود میں رکھنے کے لیے آئی ایم ایف پروگراموں کا سبک رفتاری کے ساتھ جاری رہنا کلیدی شرط ہے۔ موجودہ صورتحال میں ہمیں اُمید ہے کہ غیر ملکی زرمبادلہ کے ذخائر میں اگلے سال کے دوران 2 بلین ڈالر کا مزید اضافہ ہوگا جس سے روپے پر کسی قسم کے دباؤ کو ختم کرنے میں مدد ملے گی۔

اگلے سال کے دوران تیل کی قیمتوں کے اوسط 40 فی بی بی ایل کے مفروضے پر صارفی قیمت کے انڈیکس (سی پی آئی) کا متوقع اوسط 7.5 فیصد ہوگا۔ مرکزی بینک نے افراطِ زر میں متوقع کمی کے تناظر میں پہلے ہی پالیسی شرح میں ترمیم کر کے اسے 7.0 فیصد کر دیا ہے۔ مالی سال کے نصف اول کے دوران افراطِ زر کی رفتار پٹرولیم کی کم تر قیمتوں کے باعث 7.0 فیصد سے کافی کم رہے گی اور پالیسی شرح کو مثبت رکھنے میں کردار ادا کرے گی۔ تاہم نصف آخر کے دوران چونکہ کم تر base کا اثر بحال ہوگا چنانچہ افراطِ زر پالیسی شرح سے اوپر جائے گی، جس کا مطلب ہے کہ عمومی معاشی صورتحال کے تحت مرکزی بینک کو انٹریسٹ کی شرحوں میں ترمیم کرنا ہوگی۔ تاہم اگر ادائیگیوں کے توازن کی صورتحال توقع سے بہتر ہوگی تو مرکزی بینک موجودہ پالیسی شرح کو جاری رکھ سکے گا۔

مالیاتی محکمہ حکومت کے لیے دُکھتی رگ بنارہے گا کیونکہ اس کا 7.0 فیصد کے شمال میں رہنا متوقع ہے۔ ٹیکسوں میں محدود متوقع اضافے کے باعث ہم سمجھتے ہیں کہ حکومت کے پاس عوامی ترقیاتی خرچ کے ذریعے محرک فراہم کرنے کی زیادہ گنجائش نہیں ہوگی۔ ساتھ ساتھ، مقامی ذرائع سے حصولِ قرض پر حکومتی انحصار سے پرائیویٹ سیکٹر میں سرمایہ کاری متاثر ہوگی۔ حکومت پر بڑھتے ہوئے بوجھ کے ماحول میں مجموعی معاشی ترقی کی تجدید کے لیے پرائیویٹ سیکٹر کی اہمیت بدستور حاوی رہے گی۔

کیپیٹل مارکیٹ، خصوصاً ایکویٹیز، کے نظریے سے ہمیں اب کافی واضح صورتحال نظر آرہی ہے۔ جہاں کووڈ کے خم کے ہموار ہونے کا سلسلہ جاری ہے وہاں valuations بتدریج پرانے رجحانات کے ساتھ ہم آہنگ ہو رہی ہیں۔ وائرس کی دوسری لہر کا سد باب کرتے ہوئے ہم سمجھتے ہیں کہ ایکویٹیز میں سرمایہ کاروں کے لیے بہت فوائد مضمر ہیں۔ مارکیٹ کیپیٹل انڈیکس کا جی ڈی پی کے ساتھ تناسب 17.5 فیصد ہے، جو اب بھی اپنے پرانے اوسط سے 33 فیصد کم ہے۔ اسی طرح ریسک پریمیم 0.4 فیصد کے قریب ہیں جو اپنے پرانے اوسط 0.9 فیصد کے مقابلے میں طویل المیعاد سرمایہ کاروں کے لیے قابل قبول بہتری ہے۔ ہم سمجھتے ہیں کہ سیکٹرز اور اسٹاک کی خورد و تصویر اس سال زیادہ اہم رہے گی اور سرمایہ کاری کے انتخاب کا انحصار ایسی کمپنیوں پر ہونا چاہیے جو اپنی اندرونی قدر میں گہری رعایت پر تجارت کرتی ہیں۔ اسی طرح ایسی کمپنیوں کی طرف بھی توجہ دوبارہ مرکوز ہونی چاہیے جن کی درمیانی مدت کی آمدنی میں زبردست ترقی متوقع ہے۔

Debt حاملین کے لیے ہم توقع کرتے ہیں کہ بازار زر کے فنڈ پالیسی شرحوں کی عکاسی بلا رکاوٹ سال بھر جاری رکھیں گے۔ دوسری جانب حکومتی بانڈز دورانِ سال پہلے ہی کچھ حد تک متوقع مالیاتی تسہیل میں کردار ادا کر چکے ہیں۔ ہم بانڈز کے منافعوں کی موجودہ سطحوں کے حوالے سے محتاط ہیں اور ڈیٹا کے نکات کی نگرانی جاری رکھیں گے تاکہ مواقع سے فائدہ اٹھایا جاسکے۔

ایکویٹیز مارکیٹ کا مجموعی جائزہ

معاشی صورتحال کی طرح ایکویٹیز مارکیٹوں کی صورتحال بھی سال کے نصف اول اور نصف آخر کے دوران بہت مختلف تھی۔ نصف اول کے دوران سرمایہ کاروں نے گلاں معاشی یکجائی کے حاصل کردہ منافع جات کا خیر مقدم کیا اور بیچ مارک KSE-100 انڈیکس میں 19.8 فیصد کا زبردست اضافہ ہوا۔ تاہم کورونا وائرس کے ورود کے بعد ایکویٹیز مارکیٹیں بد حالی سے دوچار ہو گئیں اور KSE-100 انڈیکس بھی متاثر ہوا۔ بیچ مارک انڈیکس مالی سال کے نصف آخر میں 16 فیصد گر گیا جس سے نصف اول میں حاصل کیے گئے منافع جات بے اثر ہو گئے۔ بہر حال KSE-100 نے مجموعی طور پر پورے سال کے لیے 1.5 فیصد معمولی منافع پوسٹ کیا اور گزشتہ دو متواتر سالوں سے منفی منافعوں کا رجحان ختم ہوا۔ غیر ملکیوں کی جانب سے ہونے والی ایکویٹیز کی فروخت کمی سے محفوظ رہی اور 285 ملین ڈالر مالیت کی ایکویٹیز کی فروخت کے ساتھ پانچویں متواتر سال ریڈ زون میں رہی۔ افراد اور بیمہ کمپنیاں بالترتیب 213 ڈالر اور 128 ڈالر مالیت کی ایکویٹیز خرید کر net خریدار رہے۔ خرید و فروخت کے یومیہ حجم کا اوسط دوران مدت 194 ملین حصص تھا (26.2 فیصد YoY اضافہ)، جبکہ یومیہ قدر کا اوسط 7.2 بلین روپے (10.4 فیصد YoY اضافہ) تھا۔

دوران سال دو اساسی تعمیرات اور مواد، اور کھاد کے شعبے بالترتیب 45 فیصد، 43 فیصد اور 23 فیصد منافع جات پوسٹ کر کے سبقت لے گئے۔ دو اساس کمپنیاں مرکز نگاہ تھیں کیونکہ کوویڈ 19 نے اس شعبے کی استعداد میں اضافہ کر دیا تھا۔ سیمنٹ کے شعبے میں تحریک ہوئی جس کے اسباب انٹریسٹ کی شرحوں میں کمی اور فریقوں کے درمیان مارکیٹنگ انتظام کا استحکام تھے۔ کھاد کے شعبے نے قابل قبول کارکردگی کا مظاہرہ کیا کیونکہ انٹریسٹ کی شرح میں متواتر کمی کے بعد ڈیویڈنڈ دینے والے اسٹاکس منظر عام پر آ گئے۔ دوسری جانب کمرشل بینکوں اور دریافت اور پیداوار (ای اینڈ پی) کے شعبے کی کارکردگی انڈیکس کے مضبوط فریق ہونے کے باوجود بیچ مارک سے کم تھی۔ بالترتیب 14 فیصد اور 10 فیصد منفی منافع۔ کمرشل بینکوں کی کمزور کارکردگی کی وجہ اب تک کی سب سے زیادہ مالیاتی تسہیل کے باعث NIMS میں سنکڑن تھی، جبکہ ای اینڈ پی کی کمزور کارکردگی کی وجہ خام تیل کی قیمتوں میں گراوٹ تھی کیونکہ سعودی عرب نے اوپیک اور روس کے درمیان معاہدہ نہ ہونے پر قیمت کی ایک جنگ کا آغاز کر دیا۔ ساتھ ساتھ، وباء کے تناظر میں عالمی سطح پر مانگ میں کمی نے صورتحال کو ابتر کر دیا۔

مستقبل کا منظر نامہ

حکومت اور مختلف اداروں کے مطابق مالی سال 2020-21ء کے لیے مجموعی ملکی پیداوار (جی ڈی پی) میں متوقع ترقی 2.0 فیصد ہے۔ پاکستان وباء کی پہلی لہر سے نمٹنے میں کامیاب ہوا ہے اور متاثرہ افراد کی یومیہ تعداد (ایک ہزار) ماہ جون کے اوائل میں بلند ترین یومیہ تعداد (چھ ہزار) کا چھٹا حصہ رہ گئی ہے۔ اگرچہ اکثر شعبے کھول دیئے گئے ہیں لیکن کچھ تاحال بالکل بند ہیں اور کچھ استعداد سے کم کام کر پارہے ہیں۔ کوویڈ کی دوسری لہر کا سد باب کرتے ہوئے ہم پُر اُمید ہیں کہ مالی سال کی دوسری سہ ماہی تک معیشت مکمل بحال ہو جائے گی۔ علاوہ ازیں، متوقع طور پر دسمبر تک ویکسین کے منظر عام پر آ جانے سے جنوری سے عالمی سطح پر سرگرمیاں بھی مکمل بحال ہو جائیں گی۔ ہم اُمید کرتے ہیں کہ حکومت کم تر base اور مختلف محرکات کے اقدامات کے ساتھ جی ڈی پی میں ترقی کا سالانہ ہدف حاصل کر سکے گی۔ مرکزی بینک کا اعلان کردہ مالیاتی محرک گردش صنعتوں میں ترقی بحال کرنے کی راہ ہموار کرے گا۔ علاوہ ازیں، حکومت کے تعمیرات سے متعلق پیکج سے مانگ پر مبنی ترقی کو مطلوبہ محرک حاصل ہوگا۔

ادائیگی کے توازن کی پریشانیوں فی الوقت ختم ہو گئی ہیں کیونکہ کرنٹ اکاؤنٹ خسارہ مرکزی حکومت کے پالیسی اقدامات کے بعد معقول سطح تک آ گیا ہے۔ تیل کی بین الاقوامی قیمتوں کا 40 ڈالر فی بیرل تک کم ہو جانا زحمت کے بھیس میں رحمت ثابت ہوا ہے۔ عالمی معیشت بحال ہونا شروع ہو گئی ہے اور جو

پالیسی اقدام کے تحت رفتار اثرات بحوالہ مالیاتی سختی اور زیرمبادلہ کی شرح میں ترمیم کے ثمرات حاصل ہونے کا سلسلہ جاری رہا جس کی عکاسی ادائیگیوں کے توازن کی صورتحال میں بہتری میں ہوئی۔ کرنٹ اکاؤنٹ خسارہ دوران سال 78 فیصد YoY بنیاد پر سکڑ کر 2.8 بلین ڈالر ہو گیا۔ کرنٹ اکاؤنٹ خسارے میں کمی کی بڑی وجہ اشیاء کی درآمدات میں کمی ہے جو 19 فیصد سکڑ گئیں جس کے نتیجے میں 12 بلین ڈالر کی کمی ہوئی۔ ترسیلات زر بھی لچکدار رہیں اور دوران سال 6 فیصد بڑھ کر 23.1 بلین ڈالر ہو گئیں۔ غیر ملکی براہ راست سرمایہ کاری (ایف ڈی آئی) 2.5 بلین ڈالر کی سطح پر تھی جو سال گزشتہ کے مقابلے میں 75 فیصد زیادہ ہے کیونکہ ٹیلی کام لائسنسوں کی تجدید اور بجلی کے شعبے میں منصوبوں کے آغاز کی بدولت نئی سرمایہ کاریاں آئیں۔ آئی ایم ایف اور کثیرالاجہتی اداروں سے قرضوں سے متعلقہ آمدات نے بھی مجموعی مالیاتی آمدات کو مثبت سمت میں قائم رکھا۔ پاکستان کو آئی ایم ایف سے 2.4 بلین ڈالر موصول ہوئے اور کثیرالاجہتی اداروں نے مختلف منصوبوں کے لیے 5 بلین ڈالر سے زائد جاری کیے۔ مجموعی طور پر مالی اکاؤنٹ نے 7 بلین ڈالر منافع حاصل کیا۔ نتیجتاً اسٹیٹ بینک آف پاکستان کے غیر ملکی زرمبادلہ کے ذخائر دوران سال 4.9 بلین ڈالر سے بڑھ کر 12.1 بلین ڈالر تک پہنچ گئے۔ اگرچہ درآمدات کے cover میں بہتری آئی، یعنی 1.7x سے 2.6x، لیکن یہ اب بھی مقبول عالمی معیارات سے کم ہے۔ ڈالر کے مقابلے میں روپے کی قدر دوران سال 3.2 فیصد کم ہو کر 168.2 ہو گئی۔

مالی سال 2020ء کے لیے صارفی قیمت کے انڈیکس (سی پی آئی) کا اوسط 10.8 فیصد جبکہ دوران سال گزشتہ 6.8 فیصد تھا۔ دوران سال اشیائے خوردونوش کا افراط زر نمایاں تھا جس کا اوسط 14.5 فیصد تھا کیونکہ رسد کی جہت میں کمزوری کے باعث کچھ ضروری اشیاء اور جلد خراب ہو جانے والی اشیاء کی قیمتوں میں اضافہ ہو گیا۔ چینی کی قیمتوں میں دوران سال 29 فیصد جبکہ گندم کے آٹے کی قیمت میں 16 فیصد اضافہ ہوا۔ جلد خراب ہو جانے والی اشیاء میں پیاز اور آلو کی قیمتوں میں بالترتیب 70 فیصد اور 65 فیصد اضافہ ہوا۔ تاہم افراط زر کے دباؤ میں کمی آغاز ہو گیا ہے اور جون میں افراط زر 8.6 فیصد تھی کیونکہ پٹرولیم کی کم تر قیمتوں کے ساتھ ساتھ اشیائے خوردونوش کی افراط زر میں تسہیل سے مجموعی افراط زر رک گئی۔ بہر حال، اہم ترین افراط زر، جس کی پیمائش اشیائے خوردونوش اور توانائی کے شعبے کے علاوہ ہوتی ہے، پھر بھی محدود تھی اور زیر جائزہ مدت کے لیے اس کا اوسط 7.9 فیصد تھا۔

مانیٹری پالیسی کمیٹی (ایم پی سی) سارا سال متحرک رہی اور اس نے انٹریسٹ کی شرحوں میں 625 بیسپس پوائنٹس (بی پی ایس) کی ریکارڈ کمی کر کے پالیسی کی شرح کو 7.0 فیصد تک پہنچا دیا۔ کووڈ 19 کے باعث مندی کے دباؤ اور افراط زر کی کم تر توقع اس اہم اقدام کے بنیادی اسباب تھے۔ ساتھ ساتھ مرکزی بینک نے نظام میں مالیاتی ہنگامی صورتحال کے بوجھ کو کم کرنے کے لیے مختلف اسکیموں کا اعلان کیا۔ کمرشل بینکوں نے تقریباً 650 بلین روپے کے قرضہ جات ایک سال کے لیے ملتوی کیے، جبکہ تقریباً 150 بلین روپے کے قرضہ جات کی تشکیل نو کی گئی۔

مالی سال 2020ء کے نصف اول کے دوران مالیاتی تسہیل سے قبل کم تر افراط زر کی توقعات کے باعث پیداواری خم میں جھکاؤ آنا شروع ہو گیا۔ سال کے آغاز کے دوران وباء کے سر اٹھانے کے باعث مندی کے دباؤ قریب الورود ہو گئے اور مرکزی بینک نے متحرک انداز میں مالیاتی تسہیل کر کے متعدد میٹنگز میں پالیسی شرح کو 625 بی پی ایس کم کر دیا۔ اس کے نتیجے میں پیداواری خم دوران مدت مزید نیچے ہو گیا۔ تین سالہ، پانچ سالہ اور دس سالہ بانڈ میں دوران سال بالترتیب 632، 577 اور 503 بی پی ایس کی تسہیل ہوئی۔ پیداواری خم دوبارہ بلندی کی طرف جانا شروع ہو گیا ہے کیونکہ بازار کے فریق انٹریسٹ کی شرحوں کے کم ترین سطح تک جانے کی توقع کر رہے ہیں۔

ایم سی بی عارف حبیب سیونگڈ اینڈ انویسٹمنٹس لمیٹڈ (ایم سی بی اے ایچ) کے بورڈ آف ڈائریکٹرز کی طرف سے ایم سی بی اے ایچ کے معاملات برائے سال مُختتمہ 30 جون 2020ء کی رپورٹ پیش خدمت ہے۔

بنیادی کاروبار

ایم سی بی اے ایچ ایک غیر بینکاری مالیاتی کمپنی ہے جو اثاثہ جاتی انتظام کی کمپنی، مُشیر برائے سرمایہ کاری اور پینشن فنڈ کے مُنظم کے طور پر سیکورٹیز اینڈ ایکسچینج کمیشن آف پاکستان کے قانونی دائرہ کار کے تحت لائسنس یافتہ ہے۔

کاروباری ماحول

معیشت اور بازار زر کا مجموعی جائزہ

مالی سال 2020ء کے نصف اوّل کی صورتحال نصف آخر کے حالات سے کافی مختلف تھی۔ گلاں معاشیاتی یکجائی، جو نصف اوّل میں صحیح راہ پر گامزن تھی، کو وڈ ۱۹ کے باعث نصف آخر میں شدید متاثر ہوئی۔ اس قاتل وباء سے جہاں عالمی سطح پر 17 ملین سے زائد افراد متاثر ہوئے اور 650,000 سے زائد لقمہء اجل بنے وہیں عالمی معیشت بھی تباہی سے دوچار ہوئی کیونکہ دُنیا بھر میں لاک ڈاؤن کے باعث صرفی رجحان میں کمی ہوئی اور بڑے پیمانے پر بے روزگاری پھیلی۔ انٹرنیشنل مانیٹری فنڈ (آئی ایم ایف) کے مطابق اس سال عالمی معیشت 4.9 فیصد سکڑ جائے گی جو دوسری جنگِ عظیم کے بعد ایک سال کے دوران بدترین تنزّلی ہے۔

مقامی سطح پر معیشت میں ماہ مئی تک بڑے پیمانے پر لاک ڈاؤن رہا اور صحتِ عامہ کے شعبے میں متاثر افراد کا وفور رہا۔ ماحصل میں فرق کے نتیجے میں معاشی ترقی میں 0.4 فیصد تک کمی کی پیش گوئی کی گئی بالمقابل سابقہ متوقع ترقی کے جو 2.4 فیصد تھی۔ بڑے پیمانے کی مینوفیکچرنگ (ایل ایس ایم) اور خدمات کے شعبے لاک ڈاؤن سے سب سے زیادہ متاثر ہوئے۔ ایل ایس ایم مالی سال 2020ء کے پہلے گیارہ ماہ کے دوران 10.3 فیصد سکڑ گیا۔ بڑی صنعتوں میں گاڑیوں اور لوہے اور اسٹیل کی صنعتیں سنگین متاثر ہوئیں اور ان میں بالترتیب 44.8 فیصد اور 17.0 فیصد تنزّلی ہوئی۔ ایل ایس ایم کی سب سے بڑی فریق ٹیکسٹائل صنعت بھی عالمی لاک ڈاؤن کے نتیجے میں برآمدات رُک جانے کے باعث 11.0 فیصد سکڑ گئی۔ مزید برآں، زراعت کے شعبے کی کارکردگی بھی مایوس کن رہی کیونکہ اہم فصلوں (کپاس، گندم اور گنا) ہدف سے کافی پست سطح پر رہیں۔

لاک ڈاؤن کے باعث ٹیکس وصولی میں سنگین کمی کے نتیجے میں مالی یکجائی شدید متاثر ہوئی۔ فیڈرل بورڈ آف ریونیو (ایف بی آر) سابقہ متوقع ہدف 4.8 ٹریلین روپے کے مقابلے میں 4.0 ٹریلین روپے جمع کر سکا۔ فروری 2020ء تک ٹیکس وصولی 16 فیصد سال در سال (YoY) کی شرح سے بڑھ رہی تھی، تاہم مالی سال کے آخری چار ماہ کے دوران 20 فیصد YoY کی خطیر شرح سے سکڑ گئی جس کے نتیجے میں شدید کمی پیدا ہو گئی۔ مزید برآں، حکومت نے لاک ڈاؤن سے پیدا ہونے والے خطرات سے عوام کی حفاظت کے مقصد سے ایک سماجی تحفظ کا پروگرام شروع کیا لیکن اس میں مطلوبہ سے زیادہ اخراجات ہو گئے جس کے نتیجے میں مالیاتی خسارے کا مجموعی ملکی پیداوار (جی ڈی پی) سے 9.0 فیصد زیادہ ہونا متوقع ہے۔

**PATTERN OF SHAREHOLDING
AS AT JUNE 30, 2020**

Categories of Shareholders	Shareholders	Shares Held	Percentage
Directors and their spouse(s) and minor children			
MR. NASIM BEG	3	26,322	0.04
MR. MUHAMMAD SAQIB SALEEM	1	500	0.00
MIRZA QAMAR BEG	1	500	0.00
MR. HAROUN RASHID	1	500	0.00
MR. AHMED JAHANGIR	1	500	0.00
MR. MOHAMMAD KASHIF	1	4	0.00
SYED SAVAIL MEEKAL HUSSAIN	1	500	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	812	2,995,636	4.16
b. Foreign	1	4	0.00
Foreign Companies	1	2,871,000	3.99
Others	14	1,110,059	1.54
Totals	843	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, 2020**

# Of Shareholders	Shareholdings'Slab			Total Shares Held
267	1	to	100	3,850
124	101	to	500	41,149
195	501	to	1000	131,320
167	1001	to	5000	359,681
29	5001	to	10000	239,723
17	10001	to	15000	209,052
11	15001	to	20000	208,772
4	20001	to	25000	88,938
2	25001	to	30000	60,000
2	30001	to	35000	66,500
2	35001	to	40000	75,500
1	50001	to	55000	52,900
3	55001	to	60000	176,800
1	60001	to	65000	63,000
1	75001	to	80000	77,880
1	80001	to	85000	83,500
2	90001	to	95000	185,000
1	105001	to	110000	109,500
1	135001	to	140000	140,000
1	145001	to	150000	150,000
1	195001	to	200000	200,000
1	230001	to	235000	231,000
1	245001	to	250000	250,000
1	255001	to	260000	260,000
1	330001	to	335000	332,000
1	345001	to	350000	350,000
1	895001	to	900000	900,000
1	2870001	to	2875000	2,871,000
1	5460001	to	5465000	5,462,000
1	21660001	to	21665000	21,664,167
1	36955001	to	36960000	36,956,768
843				72,000,000

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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

1. The total number of Directors* is seven as per the following:

- (a) Male: 6
- (b) Female: 1

2. The composition of Board* is as follows:

- (a) Independent Directors: 3
- (b) Other Non-executive Directors: 4
- (c) Executive Directors (CEO): 1
- (d) Female Director: 1

* Mian Muhammad Mansha and Mr. Samad A. Habib, Non-executive director of the Company, retired from the Board on February 06 2020 and did not opt for re-election. Mr. Kashif A. Habib and Ms. Mavra Adil Khan were elected on February 06, 2020.

3. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.
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. The Board has ensured that complete record of particulars of significant policies along with their dates of approval or updating is maintained by the Company.
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. Following directors have obtained Directors' Training Program:

Name of Director	Status
Mr. Ahmed Jahangir	Non-Executive Director
Mr. Kashif 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. After the registration of the former Head of Internal Audit, Mr. Murtaza Shabbir (Assistant Manager - Internal Audit) has been serving as the Acting Head of Internal Audit.
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, 2019

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

(a) Audit Committee

Name of Director	Status
Mirza Qamar Beg	Chairman
Mr. Nasim Beg	Member
Mr. Ahmed Jahangir	Member
Mr. Kashif A. Habib	Member
Syed Savail Meekal Hussain	Member

(b) Human Resource and Remuneration Committee

Name of Director	Status
Mirza Qamar Beg	Chairman
Mr. Nasim Beg	Member
Mr. Ahmed Jahangir	Member
Syed Savail Meekal Hussain	Member
Ms. Mavra Adil Khan	Member
Mr. Muhammad Saqib Saleem (CEO)	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 (quarterly / half yearly / yearly) 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 Meetings	Date of Meetings
1.	1 st meeting of the Committee for the year	September 12, 2019
2.	2 nd meeting of the Committee for the year	September 13, 2019
3.	3 rd meeting of the Committee for the year	October 23, 2019
4.	4 th meeting of the Committee for the year	October 24, 2019
5.	5 th meeting of the Committee for the year	January 29, 2020
6.	6 th meeting of the Committee for the year	February 20, 2020
7.	7 th meeting of the Committee for the year	February 21, 2020
8.	8 th meeting of the Committee for the year	April 17, 2020

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

Sr. No.	Particulars of Meeting	Date of Meetings
1.	16 th meeting of the Committee	September 12, 2019
2.	17 th meeting of the Committee	October 10, 2019
3.	18 th meeting of the Committee	December 06, 2019
4.	19 th meeting of the Committee	December 23, 2019

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.

STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019

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 and all their partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan and that they and the partners of the firm involved in the audit are not close relatives (spouses, parent, dependent and non-dependent children) of the chief Executive Officer, Chief Financial Officer, Head of Internal Audit, Company Secretary or Director of the Company.
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 the 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.
19. We confirm that all other requirements of regulations 3, 6, 7, 8, 27, 32, 33 and 36 of the Regulations have been complied with.



Haroun Rashid

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, 2019



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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, 2019

We have reviewed the enclosed Statement of Compliance with the Listed Companies (Code of Corporate Governance) Regulations, 2019 ("the Regulations") prepared by the Board of Directors of **MCB Arif Habib Savings and Investments Limited** ("the Company") for the year ended 30 June 2020 in accordance with the requirements of regulation 36 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.

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REVIEW REPORT TO THE MEMBERS STATEMENT OF COMPLIANCE WITH LISTED COMPANIES (CODE OF CORPORATE GOVERNANCE) REGULATIONS, 2019



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 2020.

Date: 22 September 2020

Karachi

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

**KPMG Taseer Hadi & Co.
Chartered Accountants**

FINANCIAL & BUSINESS HIGHLIGHTS

		<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Pre tax Margin	%	51	46	36	27	12	41
Net Margin	%	36	31	25	17	3	31
Performance							
Return on assets	%	14	11	9	6	1	11
Return on equity	%	19	15	13	8	2	17
Leverage							
Gearing (T-Debt:Equity)	times	0.34	0.40	0.43	0.43	0.40	0.46
Interest Coverage Ratio	times	63.03	768.06	472.94	477.53	18.75	40.90
Liquidity							
Current Ratio	times	2.63	2.38	2.06	2.07	2.15	2.11
Valuation							
Earnings per share	Rs.	3.87	3.32	2.81	1.72	0.34	3.58
No. of ordinary shares		72	72	72	72	72	72
Historical trend							
Management fee (Rs. in million)		640	704	664	702	731	674
Operating profit [PBIT] (Rs. in million)		387	349	285	196	81	337
Profit before tax (Rs. in million)		393	350	286	197	85	345
Profit after tax (Rs. in million)		279	239	202	124	24	258
Share capital (Rs. in million)		720	720	720	720	720	720
Shareholders equity (Rs. in million)		1,505	1,549	1,580	1,568	1,462	1,551
Total assets (Rs. in million)		2,019	2,174	2,264	2,244	2,044	2,266

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 2020, 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 2020 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

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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	
	<p>Refer note 3.1.3 and 5.3 to the financial statements for the accounting policy and details of goodwill and management rights respectively.</p> <p>As mentioned in note 5.3 to the financial statements, carrying value of goodwill and management rights at 30 June 2020 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.</p> <p>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.</p>	<p>Our audit procedures to test the potential impairment of goodwill and management rights included the following:</p> <ul style="list-style-type: none"> 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.
2	Investments – Valuation of investments	
	<p>Refer note 3.2, 6 and 13 to the financial statements for accounting policies and details of investments.</p> <p>As at 30 June 2020, the Company has investments classified as "Fair value through profit or loss"</p>	<p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> obtaining an understanding of and testing the design and operating effectiveness of the key controls

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

S. No.	Key audit matters	How the matter was addressed in our audit
	amounting to Rs. 1,195.184 million in aggregate representing 77% of net assets of the Company. We identified valuation of investments as a key audit matter because of its significance in relation to the net assets of the Company.	over the valuation of investments; and <ul style="list-style-type: none">assessing, whether investments were valued at fair value based on the rates quoted by Mutual Funds Association of Pakistan (MUFAP).

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.

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.

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

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.

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.

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

- 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 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.

AUDITOR'S REPORT TO THE MEMBERS



KPMG Taseer Hadi & Co.

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

Date: 22 September 2020

Karachi

A handwritten signature in black ink, appearing to read 'Amyr Pirani', written over a horizontal line.

KPMG Taseer Hadi & Co.
Chartered Accountants

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Note	2020	2019
		(Rupees)	
ASSETS			
Non-current assets			
Fixed assets	5	401,747,361	384,958,637
Long-term investments	6	533,563,426	486,816,184
Long-term loans and prepayments	7	7,062,588	9,492,144
Long-term deposits		5,289,229	4,487,188
		<u>947,662,604</u>	<u>885,754,153</u>
Current assets			
Receivable from related parties	8	537,446,025	499,653,341
Loans and advances	9	4,201,445	9,968,368
Deposits, prepayments and other receivables	10	30,508,123	54,802,579
Accrued mark-up	11	24,966	181,212
Short-term investments	13	661,620,881	504,707,388
Advance tax - net of provisions	14	64,293,766	66,090,652
Cash and bank balances	15	19,814,591	23,165,617
		<u>1,317,909,797</u>	<u>1,158,569,157</u>
Total assets		<u><u>2,265,572,401</u></u>	<u><u>2,044,323,310</u></u>
EQUITY AND LIABILITIES			
Share capital and reserves			
Authorized share capital			
72,000,000 (2019: 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	16	720,000,000	720,000,000
Reserves		<u>830,695,426</u>	<u>742,226,313</u>
Total equity		<u>1,550,695,426</u>	<u>1,462,226,313</u>
LIABILITIES			
Non-current liabilities			
Deferred tax liability - net	18	55,968,562	42,342,682
Lease liability against right-of-use assets	12	33,454,709	-
Current liabilities			
Unclaimed dividend		4,586,000	4,256,938
Current Portion of lease liability against right-of-use assets	12	27,191,338	-
Trade and other payables	19	593,676,366	535,497,377
Total liabilities		<u>714,876,975</u>	<u>582,096,997</u>
Total equity and liabilities		<u><u>2,265,572,401</u></u>	<u><u>2,044,323,310</u></u>
CONTINGENCIES AND COMMITMENTS			
	20		

The annexed notes 1 to 42 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 2020

	Note	2020 (Rupees)	2019
Revenue			
Management fee / investment advisory fee	21	673,851,616	730,643,339
Processing and other related income		31,792,154	30,247,466
Profit on bank deposits under effective interest method	22	3,823,104	2,033,039
Dividend income		9,103,218	19,187,924
Realized gain on sale of investments - net	23	67,277,271	6,295,869
Unrealized gain / (loss) on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		<u>49,672,898</u>	<u>(73,329,125)</u>
		835,520,261	715,078,512
Expenses			
Administrative expenses	24	(415,166,101)	(438,829,962)
Selling and distribution expenses	25	(64,841,310)	(192,056,718)
Financial charges	26	(8,237,030)	(4,312,957)
Workers' welfare fund	27	(7,000,000)	(3,500,000)
		<u>(495,244,441)</u>	<u>(638,699,637)</u>
		340,275,820	76,378,875
Other income	28.1	4,929,289	10,815,337
Other expenses	28.2	<u>(104,219)</u>	<u>(2,028,507)</u>
Profit for the year before taxation		345,100,890	85,165,705
Taxation	29	(87,431,776)	(60,930,309)
Profit for the year		<u>257,669,113</u>	<u>24,235,396</u>
Earnings per share - basic and diluted	30	<u>3.58</u>	<u>0.34</u>

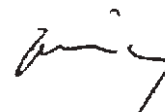
The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2020

	<i>Note</i>	2020	2019
		(Rupees)	
Profit for the year after taxation		257,669,113	24,235,396
Other comprehensive income for the year		-	-
		<u>257,669,113</u>	<u>24,235,396</u>

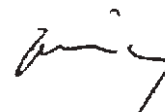
The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit for the year before taxation		345,100,890	85,165,705
Adjustments for non-cash and other items:			
Depreciation	5.4	59,523,590	20,153,110
Amortization	5.4	11,980,174	11,068,858
Impairment on leasehold improvement & furniture and fixtures	24	4,269,937	30,246,073
Financial charges	26	8,237,030	4,312,957
Unrealized (gain) / loss on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net		(49,672,898)	73,329,125
Gain on sale of investments - net	23	(67,277,271)	(6,295,869)
Provision against advisory fee receivable	24	448,942	1,699,191
Loss on disposal of fixed assets - net	28	104,219	2,028,507
		(32,386,277)	136,541,952
Operating cash flows before working capital changes		312,714,612	221,707,657
Movement in working capital			
Decrease / (Increase) in current assets			
Loans and advances		5,766,923	(2,896,098)
Deposits, prepayments and other receivables		24,294,456	13,704,251
Accrued mark-up on bank balances		156,246	18,995
Receivable from related parties		(37,792,684)	11,456,778
		(7,575,059)	22,283,926
Increase / (decrease) in current liabilities			
Unclaimed dividend		329,062	-
Trade and other payables		58,178,989	(81,751,397)
Net cash generated from operations		363,647,605	162,240,186
Income taxes paid		(71,662,109)	(20,546,061)
Financial charges paid		(1,301,942)	(4,312,957)
		(72,964,051)	(24,859,018)
Net cash flows from operating activities		290,683,553	137,381,168
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(9,364,152)	(50,616,386)
Long-term loans and prepayments		2,429,556	20,738,506
Long-term deposits		(802,041)	(1,397,960)
Proceeds from disposal of fixed assets		1,709,500	2,103,989
Net proceeds against purchase and redemption of investments		(91,897,882)	21,411,941
Net cash flows from investing activities		(97,925,019)	(7,759,910)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(168,870,938)	(125,946,694)
Payment of lease liability against right-of-use assets		(27,238,622)	-
Net cash generated from financing activities		(196,109,560)	(125,946,694)
Net increase in cash and cash equivalents		(3,351,026)	3,674,564
Cash and cash equivalents at the beginning of the year		23,165,617	19,491,053
Cash and cash equivalents at the end of the year	31	19,814,591	23,165,617

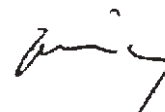
The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2020

	Issued, subscribed and paid-up capital	Reserves				Total
		Capital			Revenue	
		Share premium	Deficit arising on amalgamation	Sub-total	Unappropriated profit	
				</		

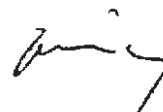
The annexed notes 1 to 42 form an integral part of these financial statements.



Chief Executive Officer



Chief Financial Officer



Director

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 2nd Floor, Adamjee House, I.I. Chundrigar Road, 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 2019. Currently, the Company is managing the following funds under its management:

	Net assets value as at	
	2020	2019
	(Rupees in million)	
Open-end Collective Investment Schemes (CISs)		
Pakistan Income Fund	2,076	1,392
MCB Pakistan Stock Market Fund	8,804	9,556
MCB Pakistan Sovereign Fund	1,816	630
Pakistan Capital Market Fund	415	504
Pakistan Cash Management Fund	3,693	190
Pakistan Income Enhancement Fund	707	698
MCB Pakistan Asset Allocation Fund	1,299	2,048
MCB DCF Income Fund	4,033	3,933
MCB Cash Management Optimizer	28,106	13,903
MCB Pakistan Frequent Payout Fund	152	254
Alhamra Islamic Asset Allocation Fund	1,964	2,972
Alhamra Islamic Stock Fund	2,656	2,779
Alhamra Islamic Income Fund	4,442	2,335
Alhamra Islamic Active Asset Allocation Fund Plan - I	341	627
Alhamra Islamic Active Asset Allocation Fund Plan - II	177	708
Alhamra Daily Dividend Fund	3,237	752
Pension Funds		
Pakistan Pension Fund	642	1,559
Alhamra Islamic Pension Fund	540	813
Discretionary portfolio	42,550	34,237

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

Number of clients	36	61
Total portfolio at cost (Rs. in millions)	36,853	28,281
Total portfolio at market value (Rs. in millions)	35,426	26,826
Fee earned (Rs. in millions)	33	36

- 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).

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

1.6 Summary of significant events during the year

A novel strain of coronavirus (COVID-19) that first surfaced in China was classified as a pandemic by the World Health Organization on 11 March 2020, impacting countries globally including Pakistan. Government of Pakistan has taken certain measures to reduce the spread of the COVID-19 including lockdown of businesses, suspension of flight operations, intercity movements, cancellation of major events, etc. The pandemic have resulted in an overall economic slowdown, disruptions to various business and significant volatility in the Pakistan Stock Exchange (PSX). However, currently, the potential impacts from COVID-19 remain uncertain, including, among other things, on economic conditions, businesses and consumers. The extent of these impacts on the Company are unclear. The Company is conducting business with some modifications to employee working and cancellation of certain events, among other modifications while following all necessary Standard Operating Procedures (SOPs). The Company will continue to actively monitor the situation and may take further actions that alter its business operations as may be required by federal, provincial or local authorities or that are in the best interests of our employees, customers, partners, and stockholders. However, the management based on its assessment considered that there would be no significant impact that will adversely affect its businesses, results of operations and financial condition in future periods.

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 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 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 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 that investments are 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 3.1.1)
- Intangible assets (Note 3.1.3)
- 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)
- Right-of-use asset and related liability (Note 3.1.4)

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 16 'Leases' from 1 July 2019. The impact of the adoption of this standard is disclosed in note 3.17 below. There are certain other new and amended standards, interpretations and amendments that are mandatory for the Company's accounting periods beginning on or after 1 July 2019 but are considered not to be relevant or do not have any significant effect on the Company's operations and therefore are not detailed in these financial statements.

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

The following International Financial Reporting Standards (IFRS Standards) as notified under the Companies Act, Act, 2017 and the amendments and interpretations thereto will be effective for accounting periods beginning on or after 01 July 2020.

- 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 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 crystallize. 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.
- Interest Rate Benchmark Reform which amended IFRS 9, IAS 39 and IFRS 7 is applicable for annual financial periods beginning on or after 1 January 2020. The G20 asked the Financial Stability Board (FSB) to undertake a fundamental review of major interest rate benchmarks. Following the review, the FSB published a report setting out its recommended reforms of some major interest rate benchmarks such as IBORs. Public authorities in many jurisdictions have since taken steps to implement those recommendations. This has in turn led to uncertainty about the long-term viability of some interest rate benchmarks. In these amendments, the term 'interest rate benchmark reform' refers to the market-wide reform of an interest rate benchmark including its replacement with an alternative benchmark rate, such as that resulting from the FSB's recommendations set out in its July 2014 report 'Reforming Major Interest Rate Benchmarks' (the reform). The amendments made provide relief from the potential effects of the uncertainty caused by the reform. A company shall apply the exceptions to all hedging relationships directly affected by interest rate benchmark reform. The amendments are not likely to affect the financial statements of the Company.
- Amendments to IFRS-16- IASB has issued amendments to IFRS 16 (the amendments) to provide practical relief for lessees in accounting for rent concessions. The amendments are effective for periods beginning on or after 1 June 2020, with earlier application permitted. Under the standard's previous requirements, lessees assess whether rent concessions are lease modifications and, if so, apply the specific guidance on accounting for lease modifications. This generally involves remeasuring the lease liability using the revised lease payments and a revised discount rate. In light of the effects of the COVID-19 pandemic, and the fact that many lessees are applying the standard for the first time in their financial statements, the Board has provided an optional practical expedient for lessees. Under the practical expedient, lessees are not required to assess whether eligible rent concessions are lease modifications, and instead are permitted to account for them as if they were not lease modifications. Rent concessions are eligible for the practical expedient if they occur as a direct consequence of the COVID-19 pandemic and if all the following criteria are met
 - the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change.
 - any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
 - there is no substantive change to the other terms and conditions of the lease.
- Classification of liabilities as current or non-current (Amendments to IAS 1) effective for the annual period beginning on or after 1 January 2022. These amendments in the standards have been added to further clarify when a liability is classified as current. The standard also amends the aspect of classification of liability as non-current by requiring the assessment of the entity's right at the end of the reporting period to defer the settlement of liability for at least twelve months after the reporting period. An entity shall apply those amendments retrospectively in accordance with IAS 8.
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37) effective for the annual period beginning on or after 1 January 2022 amends IAS 1 by mainly adding paragraphs which clarifies what comprise the cost of fulfilling a contract, Cost of fulfilling a contract is relevant when determining whether a contract is onerous. An entity is required to apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). Restatement of

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

comparative information is not required, instead the amendments require an entity to recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate, at the date of initial application.

- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16) effective for the annual period beginning on or after 1 January 2022. Clarifies that sales proceeds and cost of items produced while bringing an item of property, plant and equipment to the location and condition necessary for it to be capable of operating in the manner intended by management e.g. when testing etc, are recognized in profit or loss in accordance with applicable Standards. The entity measures the cost of those items applying the measurement requirements of IAS 2. The standard also removes the requirement of deducting the net sales proceeds from cost of testing. An entity shall apply those amendments retrospectively, but only to items of property, plant and equipment that are brought to the location and condition necessary for them to be capable of operating in the manner intended by management on or after the beginning of the earliest period presented in the financial statements in which the entity first applies the amendments. The entity shall recognize the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

Annual Improvements to IFRS standards 2018-2020:

The following annual improvements to IFRS standards 2018-2020 are effective for annual reporting periods beginning on or after 1 January 2022.

- IFRS 9 – The amendment clarifies that an entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf, when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognize a financial liability.
- IFRS 16 – The amendment partially amends Illustrative Example 13 accompanying IFRS 16 by excluding the illustration of reimbursement of leasehold improvements by the lessor. The objective of the amendment is to resolve any potential confusion that might arise in lease incentives.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

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 change 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.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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 goodwill 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.

3.1.4 Right-of-use assets and their related lease liability

Right-of-use assets

On initial recognition, right-of-use assets are measured at an amount equal to initial lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to be incurred to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

Right-of-use assets are subsequently stated at cost less any accumulated depreciation and accumulated impairment losses and are adjusted for any remeasurement of lease liability. The remeasurement of lease liability will only occur in cases where the terms of the lease are changed during the lease tenor.

Right-of-use assets are depreciated over their expected useful lives using the straight-line method. Depreciation on additions (new leases) is charged from the month in which the leases are entered into. No depreciation is charged in the month in which the leases mature or are terminated.

Lease liability against right-of-use assets

The lease liabilities are initially measured as the present value of the remaining lease payments, discounted using the interest rate implicit in the lease, or if that rate cannot be readily determined, the Bank's incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest rate method. The lease liability is also remeasured to reflect any reassessment or change in lease terms. These remeasurements of lease liabilities are recognised as adjustments to the carrying amount of related right-of-use assets after the date of initial recognition.

Each lease payment is allocated between a reduction of the liability and a finance cost. The finance cost is charged to the profit and loss account as markup expense over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

3.2 Financial instruments

3.2.1 Financial assets

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.

3.2.1.1 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.

3.2.1.2 Subsequent measurement

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.
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.

3.2.1.3 Impairment of financial assets

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 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 2020

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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

4. CHANGE IN ANY ACCOUNTING POLICY

The principal accounting policies applied in the preparation of these financial statements have been consistently applied to earlier periods presented except for the change in accounting policy as described below.

4.10 Impact of IFRS 16 - Leases

The Company has adopted IFRS 16 'Leases' from 01 July 2019 which is effective from annual periods beginning on or after 01 January 2019 and the key changes to the Company's accounting policies resulting from adoption of IFRS 16 are summarized below:

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

The significant judgments in the implementation were determining if a contract contained a lease, and the determination of whether the Company is reasonably certain that it will exercise extension options present in lease contracts. The significant estimates were the determination of incremental borrowing rates. The weighted average discount rate applied to lease liabilities on the transition date 1 July 2019 is based on the applicable KIBOR plus 50 basis points i.e 14.13%.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

The impact of IFRS 16 on the Company is primarily where the Company is a lessee in property lease contracts. The Company has elected to adopt simplified approach on transition and has not restated comparative information. On 1 July 2019, the Company recognized a lease liability, being the remaining lease payments, including extension options where renewal is reasonably certain, discounted using the Company's incremental borrowing rate at the date of initial application. The corresponding right-of-use asset recognized is the amount of the lease liability adjusted by prepaid or accrued lease payments related to those leases. The increase in balance sheet as a result of the recognition of right-to-use assets and lease liability as of 1 July 2019 was Rs. 30,513,482 and Rs. 26,293,670, respectively with no adjustment to retained earnings. The asset is presented in 'Fixed Assets' and the liability is presented in 'Non current' and 'Current' liabilities. Also in relation to those leases under IFRS 16, the Company has recognized depreciation and finance costs, instead of operating lease expenses.

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

Impact on the Company's statement of financial position:

	30 June 2020 (Rupees)
Increase in fixed assets - right-of-use assets	60,884,879
Decrease in prepayments - prepaid rent	(5,076,908)
Increase in deferred tax liability	-
	55,807,971
Increase in lease liability against right-of-use assets	(60,646,047)
Decrease in net assets	(4,838,076)

Impact on the Company's statement of profit or loss:

Increase in financial charges - finance cost on lease liabilities	(6,935,088)
(Increase) / decrease in administrative expenses / selling and distribution expenses:	
- Depreciation on right-of-use assets	(27,073,978)
- Rent expense	29,170,990
Decrease in profit for the year before taxation	(4,838,076)
Increase in tax	-
Decrease in profit for the period after taxation	(4,838,076)

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

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

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

5 FIXED ASSETS	Note	2020	2019
		(Rupees)	
Property and equipment	5.1	45,363,804	76,673,909
Right-of-use assets	5.2	60,884,879	-
Intangible assets	5.3	295,498,678	308,284,728
		<u>401,747,361</u>	<u>384,958,637</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- 5.1.1** The Company intends to close two of its branches. Accordingly, based on the subsequent sale arrangement, impairment loss against the earlier carrying value of the assets at the said branches have been recorded by the Company. The Company has received token money of Rs. 0.5 million out of the total expected sale consideration of Rs. 5.3 million. Total carrying value of those assets was Rs. 9.6 million.
- 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 (including computer softwares) are fully depreciated assets which are still in use aggregating to Rs. 66.39 million (2019: Rs. 55.097 million).

5.2 Right of use assets

This has arisen due to adoption of IFRS-16 as detailed in note 4.10. Details of the movement in right-of-use assets is as follows:

	2020 (Rupees)	2019
Effect of initial adoption of IFRS 16 as at 01 July 2019	30,513,482	-
Additions during the year	57,445,375	-
Amortization cost charged to profit and loss account	(27,073,978)	-
Closing balance	<u>60,884,879</u>	<u>-</u>

5.3 Intangible assets

	2020			Total
	Computer software	Goodwill (note 5.3.1)	Management rights (note 5.3.1)	
	(Rupees)			
As at 1 July 2019				
Cost	82,095,045	82,126,933	192,000,000	356,221,978
Accumulated amortization	(47,937,250)	-	-	(47,937,250)
Net book value	<u>34,157,795</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>308,284,728</u>
Year ended 30 June 2020				
Opening net book value	34,157,795	82,126,933	192,000,000	308,284,728
Additions during the year	378,029	-	-	378,029
Amortization for the year	(13,164,079)	-	-	(13,164,079)
Closing net book value	<u>21,371,745</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>295,498,678</u>
As at 30 June 2020				
Cost	82,473,074	82,126,933	192,000,000	356,600,007
Accumulated amortization	(61,101,329)	-	-	(61,101,329)
Net book value	<u>21,371,745</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>295,498,678</u>
Amortization rates (% per annum)	<u>25%</u>			
	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	(36,629,516)	-	-	(36,629,516)
Net book value	<u>31,800,262</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>305,927,195</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	(11,307,734)	-	-	(11,307,734)
Closing net book value	<u>34,157,795</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>308,284,728</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

As at 30 June 2019

Cost	82,095,045	82,126,933	192,000,000	356,221,978
Accumulated amortization	(47,937,250)	-	-	(47,937,250)
Net book value	34,157,795	82,126,933	192,000,000	308,284,728

Amortization rate (% per annum)	25%
---------------------------------	-----

5.3.1 Goodwill and management rights amounting to Rs. 274.13 million arised pursuant to the merger of MCB AMC with and into Arif Habib Investments Limited in 2011.

5.3.2 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.

5.3.3 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 17% (2019: 19.40%) 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 4% (2019: 6%) to the final year cash flow of the detailed projections. Based on this exercise at 30 June 2020, the recoverable amount of CGU exceeded the carrying amount.

5.3.4 Key assumptions used to determine the recoverable amounts

The calculation of recoverable amounts of Goodiwl and Management rights for the purpose of impairment testing was based on value in use, estimated using discounted cash flows. Key assumptions used in determining the value in use calculation were as follows:

Assumptions	How Determined
Budgeted Cash flows	Estimated cash flows were based on past experience.
Growth rates 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	Discount rate of 17% was used in the calculation. This discount rate represents cost of capital determined using the Capital Asset Pricing Model (CAPM) approach.
Long Term Growth Rate	Discounted cash flow projections for five years have been used and long term growth rate of 4% in perpetuity has been assumed on the basis of the growth rate of cash flows during the explicit forecast period.

As part of impairment testing, the management has assured reasonably that impact of possible changes in any of the aforementioned key assumptions would not cause the carrying value amount to exceed its recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

5.4 Depreciation and amortization is allocated as follows:

	Note	2020		2019	
		Depreciation	Amortisation	Depreciation	Amortisation
		----- (Rupees) -----		----- (Rupees) -----	
Charged to statement of profit or loss account					
- Administrative expenses	24	42,797,816	11,980,174	20,153,110	11,068,858
- Selling and distribution expenses	25	16,725,774	-	-	-
Charged to Collective Investment Schemes under management		1,775,858	1,183,905	434,922	238,876
		<u>61,299,448</u>	<u>13,164,079</u>	<u>20,588,032</u>	<u>11,307,734</u>

6 LONG-TERM INVESTMENTS

	Note	2020	2019
		(Rupees)	
Investments in units of pension schemes - related parties			
Financial assets at fair value through profit or loss	6.1	<u>533,563,426</u>	<u>486,816,184</u>

6.1 Financial assets at fair value through profit or loss

Name of the Investee fund	As at 01 July 2019	Purchase / Redemption	As at 30 June 2020	As at 30 June 2020			As at 30 June 2019		
				Carrying amount (before revaluation)	Market value	Unrealized loss	Cost	Market value	Unrealized gain
				----- (Rupees) -----			----- (Rupees) -----		
Pakistan Pension Fund	805,305	-	805,305	245,136,795	266,239,774	21,102,979	255,569,563	245,136,795	(10,432,768)
Alhambra Islamic Pension Fund	876,129	-	876,129	241,679,389	267,323,652	25,644,263	265,058,612	241,679,389	(23,379,223)
				<u>486,816,184</u>	<u>533,563,426</u>	<u>46,747,242</u>	<u>520,628,175</u>	<u>486,816,184</u>	<u>(33,811,991)</u>

7 LONG-TERM LOANS AND PREPAYMENTS

	Note	2020	2019
		(Rupees)	
Loans			
Secured - Considered good			
- to executives	7.1	6,938,951	7,848,761
- to other employees		2,111	5,711
Less: current portion of loans	10	<u>(1,176,024)</u>	<u>(2,705,906)</u>
		<u>5,765,038</u>	<u>5,148,566</u>
Prepayments			
Prepaid commission	7.2	5,234,305	27,269,553
Less: current portion	9	<u>(3,936,755)</u>	<u>(22,925,975)</u>
		<u>1,297,550</u>	<u>4,343,578</u>
		<u>7,062,588</u>	<u>9,492,144</u>

7.1 This includes interest-free loans amounting to Rs. 4.37 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. 4.377 million (2019: 4.439) given to executives 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. 7.82 million (2019: Rs. 15.68 million).

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

		2020	2019
		(Rupees)	
Opening balance		7,848,761	6,768,513
Disbursements during the year		349,000	8,284,200
Repayments made during the year		(1,867,568)	(4,137,734)
Interest income on loan		608,758	354,834
Impact of discounting (on interest free / subsidized loan)	26	-	(3,421,052)
Closing balance		<u>6,938,951</u>	<u>7,848,761</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

- 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	2020	2019
	(Rupees)	
Unsecured - considered good		
Pakistan Income Fund	12,485,626	11,216,556
MCB Pakistan Stock Market Fund	103,862,961	88,444,948
MCB Pakistan Sovereign Fund	35,992,189	34,012,893
Pakistan Capital Market Fund	8,529,951	7,785,923
Pakistan Pension Fund	8,593,459	9,756,371
Alhamra Islamic Pension Fund	4,634,002	4,281,943
Pakistan Cash Management Fund	12,610,282	11,933,267
Pakistan Income Enhancement Fund	22,110,177	22,460,182
Pakistan Sarmaya Mehfooz Fund	4,267,360	4,267,360
MCB Pakistan Asset allocation Fund	41,939,488	42,458,066
MCB Cash Management Optimizer	71,598,618	67,958,476
MCB DCF Income Fund	138,483,978	133,112,513
MCB Pakistan Frequent Payout Fund	5,003,898	4,921,786
Alhamra Islamic Stock Fund	19,117,825	14,253,415
Alhamra Islamic Asset Allocation Fund	17,380,198	16,923,708
Alhamra Islamic Income Fund	16,092,180	14,569,385
Alhamra Islamic Active Asset Allocation Fund - Plan I	39,275	74,698
Alhamra Islamic Active Asset Allocation Fund - Plan II	19,979	63,493
Alhamra Daily Dividend Fund	3,280,594	934,256
Other proposed fund	1,000,000	1,000,000
	527,042,040	490,429,239
Advisory fee on account of discretionary portfolio management		
Adamjee Life Assurance Company Limited	10,403,985	9,224,102
	8.1 & 8.2 537,446,025	499,653,341

- 8.1 The above amounts represents 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. 412.88 million (2019: Rs. 412.88 million) which are receivable from the funds / portfolios under its management. The matter is further explained in note 19.2 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	2020	2019
		(Rupees)	
Pakistan Income Fund		12,485,626	11,216,556
MCB Pakistan Stock Market Fund		103,862,961	88,444,948
MCB Pakistan Sovereign Fund		35,992,189	34,012,893
Pakistan Capital Market Fund		8,529,951	7,785,923
Pakistan Pension Fund		8,593,459	10,045,629
Alhamra Islamic Pension Fund		4,634,002	4,307,411
Pakistan Cash Management Fund		12,610,282	12,205,061
Pakistan Income Enhancement Fund		22,110,177	22,469,627
Pakistan Sarmaya Mehfooz Fund		4,267,360	4,267,360
MCB Pakistan Asset allocation Fund		41,939,488	43,425,239
MCB Cash Management Optimizer		71,598,618	67,958,476
MCB DCF Income Fund		138,483,978	133,961,945
MCB Pakistan Frequent Payout Fund		5,003,898	5,036,813
Alhamra Islamic Stock Fund		19,117,825	14,253,115
Alhamra Islamic Asset Allocation Fund		17,380,198	20,069,395
Alhamra Islamic Income Fund		16,092,180	14,777,593
Alhamra Islamic Active Asset Allocation Fund - Plan I		39,275	1,018,577
Alhamra Islamic Active Asset Allocation Fund - Plan II		19,979	63,493
Alhamra Daily Dividend Fund		3,280,594	1,236,501
Other proposed fund		1,000,000	1,000,000
Adamjee Life Assurance Company Limited		10,403,985	12,227,839

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

9 LOANS AND ADVANCES

Secured - Considered good

Current portion of loans to employees	7	1,176,024	2,705,906
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Advances - Considered good

Advances to employees		561,930	36,220
Advances to suppliers and contractors		2,463,491	2,015,938
Advance rent		-	5,210,304
		3,025,421	7,262,462
		<u>4,201,445</u>	<u>9,968,368</u>

10 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES

Security Deposits

1,776,960	784,000
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Prepayments

Current portion of prepaid commission against bachat unit	7	3,936,755	22,925,975
Insurance		7,059,970	8,182,586
Maintenance		1,840,236	2,106,127
Service level agreement		2,355,162	2,100,711
Software license		611,252	856,882
Registration fee		1,000,000	68,505
Others		203,920	49,360
		17,007,295	36,290,146

Other receivables

Advisory fee receivable on account of portfolio management		23,720,613	29,295,374
Others		405,372	386,234
		24,125,985	29,681,608

Provision against advisory fee receivable	10.1	(12,402,117)	(11,953,175)
		<u>30,508,123</u>	<u>54,802,579</u>

10.1 Movement in provision

Note	2020	2019
	(Rupees)	
Opening balance as on 1 July 2019	11,953,175	5,260,723
Additional impairment on initial application of IFRS 9	-	4,993,261
Adjusted balance as on 1 July 2019	11,953,175	10,253,984
Provision made during the year	448,942	1,699,191
Closing balance as on 30 June 2020	12,402,117	11,953,175

11 ACCRUED MARK-UP

This represents mark-up receivable on bank deposits.

12 LEASE LIABILITY AGAINST RIGHT-OF-USE ASSETS

Finance lease liabilities are payable as follows.

	2020	
	Minimum Lease Payments	Future Finance Cost
Not later than one year	33,847,442	6,656,104
Later than one year and not later than five years	36,618,398	3,163,689
Later than five years	-	-
	70,465,840	9,819,793
Less: Current portion		(27,191,338)
		<u>33,454,709</u>

12.1 Above balances have been discounted at 8.47% to 14.95% per annum.

13 SHORT-TERM INVESTMENTS - related parties

At fair value through profit or loss	13.1	661,620,881	504,707,388
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

13.1 At fair value through profit or loss

Name of the Investee Fund	As at 01 July 2019	Purchases / dividend reinvested	Redemptions	As at 30 June 2020	As at 30 June 2020			As at 30 June 2019		
					Carrying value (before revaluation)	Market value	Unrealized loss	Carrying value (before revaluation)	Market value	Unrealized gain / (loss)
		(Number of units / deals)			(Rupees)					
MCB Cash Management Optimizer	2,108,505	78,099,371	(74,738,430)	5,469,446	550,457,568	551,483,644	1,026,076	212,000,020	212,000,020	-
MCB Pakistan Stock Market Fund	3,227,916	5,126,659	(6,932,037)	1,422,538	108,237,657	110,137,237	1,899,580	295,520,518	256,003,384	(39,517,134)
Alhambra Daily Dividend Fund	367,040	4,797	(371,837)	-	-	-	-	36,703,984	36,703,984	-
Alhambra Islamic Income Fund	-	306	(306)	-	-	-	-	-	-	-
Pakistan Income Enhancement Fund	-	5	(5)	-	-	-	-	-	-	-
MCB Pakistan Asset Allocation Fund	-	1	(1)	-	-	-	-	-	-	-
Pakistan Cash Management Fund	-	4,794,607	(4,794,607)	-	-	-	-	-	-	-
MCB Pakistan Sovereign Fund	-	8,242,168	(8,242,168)	-	-	-	-	-	-	-
Pakistan Income Fund	-	3,271,834	(3,271,834)	-	-	-	-	-	-	-
MCB DCF Income Fund	-	3,794,370	(3,794,370)	-	-	-	-	-	-	-
Pakistan Investment Bonds	-	15	(15)	-	-	-	-	-	-	-
					658,695,225	661,620,881	2,925,656	544,224,522	504,707,388	(39,517,134)

14 ADVANCE TAX - NET OF PROVISIONS

Note	2020	2019
	(Rupees)	
Advance tax	87,375,718	88,789,134
Income tax refundable	50,723,944	49,278,285
	138,099,662	138,067,419
Provision for taxation for the year	(73,805,896)	(71,976,767)
	64,293,766	66,090,652

14.1 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.

15 CASH AND BANK BALANCES

Note	2020	2019
	(Rupees)	
Balances with banks in		
- saving accounts	10,172,752	13,873,514
- current accounts	9,636,339	9,287,051
	19,809,091	23,160,565
Cash in hand	5,500	5,052
	19,814,591	23,165,617

15.1 These represent deposits made with various commercial banks carrying profit rates ranging between 6.5% to 12.5% (2019: 10.25% to 10.50%) per annum. These also include balances in accounts maintained with related parties; MCB Bank Limited amounting to Rs. 5.701 million (2019: Rs. 9.018 million) which carries mark-up at the rate of 10% (2019: 10.25%) per annum and MCB Islamic Bank Limited amounting to Rs. 0.327 million (2019: Rs. 1.094 million) which carries mark-up at the rate of 10.38% (2019: 4.60%) per annum.

15.2 These represent balances in accounts maintained with conventional banks and include amounts placed with MCB Bank Limited (a related party) amounting to Rs. 4.366 million (2019: Rs. 4.078 million).

15.3 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% (2019: KIBOR+0.5%) per annum. The facility was secured against pledge the of government securities i.e. PIBs and T-Bills and will expire on 31 August 2020. However, the facility was unutilized as at 30 June 2020.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

16 ISSUED, SUBSCRIBED AND PAID-UP CAPITAL

2020 (Number of shares)	2019		Note	2020 (Rupees)	2019 (Rupees)
		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
36,000,000	36,000,000	- Issued for consideration other than cash	17.1	360,000,000	360,000,000
<u>72,000,000</u>	<u>72,000,000</u>			<u>720,000,000</u>	<u>720,000,000</u>

16.1 Shares held by the related parties of the Company

	2020 (Number of shares)	2019 (Number of shares)
Particulars of the shareholders		
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	29,326
Others	1,200	1,200

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

17 DEFICIT ARISING ON AMALGAMATION

	Note	2020 (Rupees)	2019 (Rupees)
Deficit arising on amalgamation	17.1	<u>60,000,000</u>	<u>60,000,000</u>

17.1 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.

18 DEFERRED TAX LIABILITY - NET

	Note	2020 (Rupees)	2019 (Rupees)
Deferred tax liability on taxable temporary differences			
- Intangible assets		64,613,575	56,787,409
- Right-of-use asset		<u>19,291,940</u>	-
		83,905,515	56,787,409
Deferred tax asset on deductible temporary differences			
- Property and equipment		(5,523,312)	(5,046,559)
- Investments at fair value through profit or loss		(391,359)	(4,939,642)
- Provision against advisory fee		(3,596,614)	(3,466,421)
- Finance cost on interest free loans		992,105	(992,105)
- Liability against right-of-use asset		<u>(19,417,773)</u>	-
		(27,936,953)	(14,444,727)
	18.1	<u>55,968,562</u>	<u>42,342,682</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

18.1 Movement of deferred tax liability - net

	Balance as at 30 June 2018	Recognized in profit and loss account	Recognized in other comprehensive income	Balance as at 30 June 2019	Balance as at 30 June 2019	Recognized in profit and loss account	Recognized in other comprehensive income	Balance as at 30 June 2020
	2020 (Rupees)							
Taxable temporary differences								
- Intangible assets	55,700,838	1,086,571	-	56,787,409	56,787,409	7,826,166	-	64,613,575
- Right-of-use assets	-	-	-	-	-	19,291,940	-	19,291,940
	<u>55,700,838</u>	<u>1,086,571</u>	<u>-</u>	<u>56,787,409</u>	<u>56,787,409</u>	<u>27,118,106</u>	<u>-</u>	<u>83,905,515</u>
Deductible temporary differences								
- Property and equipment	3,438,902	(8,485,461)	-	(5,046,559)	(5,046,559)	(476,753)	-	(5,523,312)
- Investments at fair value through profit or loss	(2,578,614)	(2,361,028)	-	(4,939,642)	(4,939,642)	4,548,283	-	(391,359)
- Provision against advisory fee	(3,171,986)	(294,435)	-	(3,466,421)	(3,466,421)	(130,193)	-	(3,596,614)
- Finance cost on interest free loans	-	(992,105)	-	(992,105)	(992,105)	1,984,210	-	992,105
- Lease liability against right-of-use assets	-	-	-	-	-	(19,417,773)	-	(19,417,773)
	<u>53,389,140</u>	<u>(11,046,458)</u>	<u>-</u>	<u>42,342,682</u>	<u>42,342,682</u>	<u>13,625,880</u>	<u>-</u>	<u>55,968,562</u>

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

19 TRADE AND OTHER PAYABLES

	Note	2020 (Rupees)	2019
Accrued expenses		106,891,203	72,167,226
Workers' welfare fund	19.1	38,769,050	29,069,050
Withholding tax payable		1,573,528	927,724
Indirect taxes and duties payable	19.2	422,580,282	411,742,319
Payable to facilitators / distributors		23,862,303	21,591,058
		<u>593,676,366</u>	<u>535,497,377</u>

19.1 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. 38.8 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.

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

This includes FED liability of Rs. 412.88 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.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

20 CONTINGENCIES AND COMMITMENTS

- 20.1** 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.
- 20.2** 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.
- 20.3** 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 (then) 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.
- 20.4** 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.
- 20.5** 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.
- 20.6** 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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.

- 20.7** 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.
- 20.8** 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. The Appellate Tribunal, SRB has remanded back the case to the Commissioner Appeals - SRB to pass fresh speaking order after verifying the records on merit. On the basis of factual and legal grounds, the Company in consultation with its tax consultant anticipates a favorable outcome of the aforesaid appeal.
- 20.9** 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.
- 20.10** The DCIR vide notice dated 6 March 2020 issued under section 182 of the Income Tax Ordinance, 2001 initiated proceedings for levy of penalty of Rs. 2.97 million for alleged failure to furnish the return under section 114 by due date. The Company have submitted its reply in consultation with its tax consultant and anticipates a favorable outcome of the aforesaid reply.
- 20.11** The DCIR vide notice dated 13 September 2018 issued under section 214D of the Income Tax Ordinance, 2001 requested for audit and furnishing of detail, evidences and information. The Company have submitted its reply in consultation with its tax consultant for drop of proceeding initiated under section 214D as the selection of audit was made after the provision of section 214D were omitted by the Finance Act 2018. The Company anticipates a favourable outcome of the aforesaid reply.
- 20.12** The DCIR vide notice dated 17 January 2020 issued under section 161(1A) of the Income Tax Ordinance, 2001 initiated proceedings regarding monitoring of withholding taxes. The Partial compliance have been made and the remaining information have been arranged.

21 MANAGEMENT FEE / INVESTMENT ADVISORY FEE	Note	2020	2019
		(Rupees)	
From Collective Investment Schemes - related parties			
MCB Cash Management Optimizer		107,718,466	118,850,335
MCB DCF Income Fund		75,210,236	66,415,548
MCB Pakistan Asset Allocation Fund		33,875,018	65,778,055
MCB Pakistan Frequent Payout Fund		3,293,884	5,074,415
MCB Pakistan Sovereign Fund		51,430,415	7,118,206
MCB Pakistan Stock Market Fund		200,056,654	251,670,368
Pakistan Cash Management Fund		3,006,590	2,295,459
Pakistan Capital Market Fund		10,551,381	13,037,848
Pakistan Income Enhancement Fund		13,518,645	13,117,632
Pakistan Income Fund		30,545,698	16,527,504
Alhamra Islamic Income Fund		29,613,509	27,858,122
Alhamra Islamic Stock Fund		59,851,221	69,966,226
Alhamra Islamic Asset Allocation Fund		53,240,826	81,400,879
Alhamra Active Asset Allocation Fund Plan I		206,419	497,556
Alhamra Active Asset Allocation Fund Plan II		117,047	154,103
Alhamra Daily Dividend Fund		7,646,973	5,474,379
		679,882,982	745,236,635

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
		(Rupees)	
Pension schemes - related parties			
Alhamra Islamic Pension Fund		15,561,717	13,748,547
Pakistan Pension Fund		28,170,523	26,482,453
		43,732,240	40,231,000
	21.1	723,615,222	785,467,635
Investment advisory fee from discretionary and non discretionary portfolio management	21.2	37,837,104	40,159,338
		761,452,326	825,626,973
Less: Sindh sales tax		(87,600,710)	(94,983,634)
		673,851,616	730,643,339

21.1 Management fee from open-end Collective Investment Schemes is calculated by charging the specified rates to the net asset value / income of such schemes as at the close of business of each calendar day. In accordance with Regulation 61 of the NBFC Regulations, 2008, the fee so charged to Collective Investment Schemes shall be within allowed expense ratio limit and shall not exceed the maximum rate of management fee as disclosed in the Offering Document.

21.2 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.

22 PROFIT ON BANK DEPOSITS

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

	2020	2019
	(Rupees)	
Gain / (loss) on redemption of units of collective investment schemes	67,277,271	6,295,869

	Note	2020	2019
		(Rupees)	
24 ADMINISTRATIVE EXPENSES			
Salaries, allowances and other benefits	24.2	233,905,753	226,041,240
Legal and professional charges		4,136,856	8,906,695
Travelling and conveyance charges		1,071,302	2,557,177
Rent, utilities, repairs and maintenance		64,790,347	96,206,859
Office supplies		1,058,741	1,345,291
Auditors' remuneration	24.3	3,333,567	2,515,000
Directors' meeting fee		6,150,000	5,700,000
Insurance		2,062,412	1,663,183
Depreciation	5.4	42,797,816	20,153,110
Amortization	5.4	11,980,174	11,068,858
Stamp duty and taxes		8,212,200	175,000
Registrar fee		551,253	446,290
Printing and stationery		3,456,892	4,825,803
Telephone expenses		4,497,172	5,097,120
Entertainment expenses		2,044,760	4,746,873
Books, periodicals and subscription		20,397,977	15,436,199
Provision against advisory fee receivable	10.1	448,942	1,699,191
Impairment on leasehold improvement & furniture and fixtures	5.1	4,269,937	30,246,073
		415,166,101	438,829,962

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

24.1 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 Collective Investment Schemes upto a maximum of 0.1% of average annual net assets of the scheme. The maximum cap of 0.1% of average annual net assets was removed by SECP vide S.R.O No. 639 (1) / 2019. Accordingly, expenses amounting to Rs. 51.65 million (2019: Rs. 44.61 million) have been charged by the Company to the respective Collective Investment Schemes (CISs) under its management during the year.

24.2 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.18.02 million (2018: Rs. 10.9 million).

24.3 Auditors' remuneration	<i>Note</i>	2020	2019
		(Rupees)	
Audit fee		2,434,500	2,028,750
Half yearly review fee		348,000	290,000
Fee for the review of compliance with the best practices of the Code of Corporate Governance		96,000	80,000
Out of pocket expenses		455,067	116,250
		3,333,567	2,515,000

25 SELLING AND DISTRIBUTION EXPENSES

Commission expense	25.2	25,442,127	37,744,284
Marketing and other expenses	25.3	39,399,183	154,312,434
		64,841,310	192,056,718

25.1 This includes an amount of Rs. 8.08 million (2019: Rs. 13.89 million) pertaining to MCB Bank Limited (a related party).

25.2 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. 11 of 2019 dated 5 June 2019, according to which an AMC may charge selling and marketing expenses to all types of open end mutual funds except for Fund of Funds against the cost pertaining to opening and maintenance of all branches in all cities. Under this circular, expenses amounting to Rs. 244.253 million (2019: 85.277 million) have been charged by the Company to funds under its management during the year.

25.3 This includes an amount of Rs. 16.725 million (2019: Rs. Nil) against depreciation on right-of-use assets relating to branches. Also refer note 42.1 for further details.

26 FINANCIAL CHARGES	<i>Note</i>	2020	2019
		(Rupees)	
Bank charges		1,301,942	891,905
Finance cost on interest free loans	7.1	-	3,421,052
Interest on lease liability against right-of-use assets		6,935,088	-
		8,237,030	4,312,957

27 WORKERS' WELFARE FUND

Workers' welfare fund	7,000,000	3,500,000
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28 OTHER INCOME AND OTHER EXPENSES

	2020	2019
	(Rupees)	
28.1 Other income:		
<i>Income from financial instruments</i>		
Liability no longer payable written back	3,479,010	10,000,000
<i>Income from non-financial instruments</i>		
Others	1,450,279	815,337
	4,929,289	10,815,337

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020	2019
28.2 Other expenses		(Rupees)	
Net loss on disposal of fixed assets		<u>(104,219)</u>	<u>(2,028,507)</u>
29 TAXATION			
Current		73,458,995	71,662,718
Prior		<u>346,901</u>	<u>314,049</u>
		73,805,896	71,976,767
Deferred	18.1	<u>13,625,880</u>	<u>(11,046,458)</u>
	29.1	<u>87,431,776</u>	<u>60,930,309</u>
29.1 Relationship between income tax expense and accounting profit			
Accounting profit for the year before taxation		<u>345,100,890</u>	<u>85,165,705</u>
Tax at the applicable rate of 29% (2019: 29%)		100,079,258	24,698,054
Tax effect of income taxed at lower rate		<u>(30,883,911)</u>	<u>14,392,296</u>
Inadmissible expenses		15,109,508	4,533,478
Permanent differences		2,780,020	16,992,432
Prior year tax		<u>346,901</u>	<u>314,049</u>
		<u>87,431,776</u>	<u>60,930,309</u>

29.2 The income tax returns upto tax year 2019 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 20 to the financial statements.

29.3 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 August 18, 2020, have recommended sufficient cash dividend for the year ended 30 June 2020 for the consideration and approval of the shareholders of the Company in the forthcoming annual general meeting which 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 2020.

30 EARNINGS PER SHARE

30.1 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:

	2020	2019
	(Rupees)	
Profit for the year after taxation	<u>257,669,113</u>	<u>24,235,396</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>3.58</u>	<u>0.34</u>

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

30.2 Diluted

Diluted earnings per share has not been presented as the Company does not have any convertible instruments in issue as at 30 June 2020 and 2019 which would have any effect on the earnings per share if the option to convert is exercised.

31 CASH AND CASH EQUIVALENTS	Note	2020 (Rupees)	2019
Cash and bank balances	15	<u>19,814,591</u>	<u>23,165,617</u>

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	2020			2019		
	Chief Executive Officer	Directors	Executives	Chief Executive Officer	Directors	Executives
	(Rupees)					
Managerial remuneration	10,968,876	-	55,084,986	10,446,540	-	52,392,011
Year-end incentive	6,000,000	-	16,393,000	6,000,000	-	27,460,000
Rent and house maintenance	4,935,996	-	24,788,262	4,700,940	-	23,576,416
Car allowance	4,641,600	-	17,581,226	3,949,092	-	14,582,420
Utilities	1,096,884	-	5,508,495	1,044,660	-	5,239,197
Medical	1,096,884	-	5,508,495	1,044,660	-	5,239,197
Retirement benefits	915,264	-	4,550,557	874,875	-	3,988,781
Meeting fee	-	6,150,000	-	-	5,700,000	-
Others	470,201	-	1,853,054	432,060	-	479,332
	<u>30,125,705</u>	<u>6,150,000</u>	<u>131,268,075</u>	<u>28,492,827</u>	<u>5,700,000</u>	<u>132,957,354</u>
Number of persons	<u>1</u>	<u>7</u>	<u>21</u>	<u>1</u>	<u>7</u>	<u>21</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.

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 96% and 4% (2019: 95% and 5%) 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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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	2020	2019
	(Rupees)	
Loans to employees	4,677,852	4,647,561
Bank balances (saving accounts)	10,172,752	13,873,514
	<u>14,850,604</u>	<u>18,521,075</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. 0.15 million (2019: Rs. 0.18 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 2020

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
	2020							
	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		
On balance sheet financial instruments								
Financial assets								
Investments	-	-	-	-	-	-	1,195,184,307	1,195,184,307
Loans	17,967	36,632	56,740	120,246	4,446,273	4,677,858	2,263,204	6,941,062
Long-term deposits	-	-	-	-	-	-	5,289,229	5,289,229
Receivable from related parties	-	-	-	-	-	-	537,446,025	537,446,025
Deposits and other receivables	-	-	-	-	-	-	13,500,828	13,500,828
Accrued mark-up	-	-	-	-	-	-	24,966	24,966
Cash and bank balances	10,172,752	-	-	-	-	10,172,752	9,641,839	19,814,591
	10,190,719	36,632	56,740	120,246	4,446,273	14,850,610	1,763,350,398	1,778,201,008
Financial liabilities								
Lease liability against right-of-use assets	282,677	6,431,592	6,732,901	13,744,169	33,454,709	60,646,047	-	60,646,047
Unclaimed dividend	-	-	-	-	-	-	4,586,000	4,586,000
Trade and other payables	-	-	-	-	-	-	130,753,506	130,753,506
	282,677	6,431,592	6,732,901	13,744,169	33,454,709	60,646,047	135,339,506	195,985,553
On-balance sheet gap (a) *	9,908,042	(6,394,960)	(6,676,161)	(13,623,923)	(29,008,436)	(45,795,437)	1,628,010,892	1,582,215,455
Off-balance sheet gap (b)	-	-	-	-	-	-	-	-
Total interest rate sensitivity gap (a+b)	9,908,042	(6,394,960)	(6,676,161)	(13,623,923)	(29,008,436)	(45,795,437)		
Cumulative interest rate sensitivity gap	9,908,042	(6,394,960)	(6,676,161)	(13,623,923)	(29,008,436)	(45,795,437)		

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

		2019							
Particulars	Interest / mark-up bearing						Sub- total	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				
(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	
	13,911,739	76,694	115,654	233,539	4,183,449	18,521,075	1,526,856,760	1,545,377,835	
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) *	13,911,739	76,694	115,654	233,539	4,183,449	18,521,075	1,428,841,538	1,447,362,613	
Off-balance sheet gap (b)	-	-	-	-	-	-	-	-	
Total interest rate sensitivity gap (a+b)									
	13,911,739	76,694	115,654	233,539	4,183,449	18,521,075			
Cumulative interest rate sensitivity gap									
	13,911,739	76,694	115,654	233,539	4,183,449	18,521,075			

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

* 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 2020

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. 11.952 million (2019: Rs. 9.915 million), other comprehensive income for the year would be higher / lower by Rs. Nil (2019: Rs. Nil) and total comprehensive income for the year would be higher / lower by Rs. 11.952 million (2019: Rs. 9.915 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 2020 is the carrying amount of the financial assets as set out below:

Financial assets	Note	2020 (Rupees)	2019
Investments	6 & 13	1,195,184,307	991,523,572
Long term deposits		5,289,229	4,487,188
Long-term loans	7	5,765,038	5,148,566
Receivable from related parties	8	537,446,025	499,653,341
Loans and advances	9	1,176,024	2,705,906
Deposits and other receivables	10	13,500,828	18,512,433
Accrued mark-up		24,966	181,212
Cash and bank balances	15	19,814,591	23,165,617
		1,778,201,008	1,545,377,835

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

	As at 30 June 2020	As at 30 June 2019	Rating agency
	----- (Stability rating) -----		
MCB Cash Management Optimizer	AA+(f)	AA+(f)	PACRA
MCB DCF Income Fund	AA-(f)	A+(f)	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)	AA+(f)	PACRA
Pakistan Income Enhancement Fund	A+(f)	A+(f)	PACRA
Pakistan Income Fund	A+(f)	A+(f)	PACRA
Alhamra Daily Dividend Fund	AA-(f)	AA-(f)	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 2020		As at 30 June 2019		Rating agency
	Short-term	Long-term	Short-term	Long-term	
	----- (Rating) -----				
MCB Bank Limited	A1+	AAA	A1+	AAA	PACRA
Summit Bank Limited	A-1	A-	A-1	A-	JCR-VIS
Bank Al Habib Limited	A1+	AA+	A1+	AA+	PACRA
Faysal Bank Limited	A1+	AA	A1+	AA	PACRA
MCB Islamic Bank Limited	A1	A	A1	A	PACRA
Bank Alfalah Limited	A1+	AA+	A1+	AA+	PACRA

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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):

	2020			
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months
	One to Five Years			
	(Rupees)			
Non-Derivative Financial liabilities				
Lease liability against right-of-use assets	60,646,047	60,646,047	13,447,169	13,744,169
Trade and other payables	130,753,506	130,753,506	130,753,506	-
Unclaimed dividend	4,586,000	4,586,000	4,586,000	-
	195,985,553	195,985,553	148,786,675	13,744,169
	2019			
	Carrying amount	Contractual cash flows	Six months or less	Six to twelve months
	One to Five Years			
	(Rupees)			
Non-Derivative Financial liabilities				
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	-

35 RECONCILIATION OF MOVEMENTS OF LIABILITIES TO CASH FLOWS ARISING FROM FINANCING ACTIVITIES

	2019			Total
	Liabilities		Reserve	
	Lease liability against right-of-	Unclaimed dividend	Unappropriated profit	
Balance as at 1 July 2019	-	4,256,938	406,226,313	410,483,251
Profit for the year	-	-	257,669,112	257,669,112
Dividend declared during the year	-	169,200,000	(169,200,000)	-
Dividend paid during the year	-	(168,870,938)	-	(168,870,938)
Recognition of lease liability on adoption of IFRS 16	87,884,668	-	-	87,884,668
Lease rental paid	(27,238,621)	-	-	(27,238,621)
Balance as at 30 June 2020	60,646,047	4,586,000	494,695,426	559,927,473
	2018			Total
	Liabilities		Reserve	
	Lease liability against right-of-	Unclaimed dividend	Unappropriated profit	
Balance as at 1 July 2018	-	4,203,632	507,990,917	512,194,549
Profit for the year	-	-	24,235,396	24,235,396
Dividend declared during the year	-	126,000,000	(126,000,000)	-
Dividend paid during the year	-	(125,946,694)	-	(125,946,694)
Balance as at 30 June 2019	-	4,256,938	406,226,313	410,483,251

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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).

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 2020						
	Carrying amount				Fair value		
	Financial assets at FVTPL	Amortised cost	Other financial liabilities	Total	Level 1	Level 2	Level 3
Financial assets	(Rupees)						
measured at fair value							
Long-term investments	533,563,426	-	-	533,563,426	533,563,426	-	-
Short-term investments	661,620,881	-	-	661,620,881	661,620,881	-	-
	<u>1,195,184,307</u>	<u>-</u>	<u>-</u>	<u>1,195,184,307</u>			
Financial assets not measured at fair value							
Long-term loans	-	5,765,038	-	5,765,038			
Long-term deposits	-	5,289,229	-	5,289,229			
Receivable from related parties	-	537,446,025	-	537,446,025			
Loans and advances	-	1,176,024	-	1,176,024			
Deposits and other receivables	-	13,500,828	-	13,500,828			
Accrued mark-up	-	24,966	-	24,966			
Cash and bank balances	-	19,814,591	-	19,814,591			
	<u>-</u>	<u>583,016,701</u>	<u>-</u>	<u>583,016,701</u>			
Financial liabilities not measured at fair value							
Unclaimed dividend	-	-	4,586,000	4,586,000			
Trade and other payables	-	-	130,753,506	130,753,506			
	<u>-</u>	<u>-</u>	<u>135,339,506</u>	<u>135,339,506</u>			

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

On-balance sheet		As at 30 June 2019							
financial instruments		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	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					
Deposit 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>					

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.

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:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

38.1 Transactions with related parties during the year

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2020 (Rupees)	2019
MCB BANK LIMITED	Parent company with 51.33% Holding	Commission and other expenses Profit on bank deposits Bank charges Branch sharing expenses Dividend paid	31,756,623 3,404,504 485,751 2,918,040 86,848,405	47,058,258 1,326,393 437,010 5,149,817 64,674,344
MCB ISLAMIC BANK LIMITED	Subsidiary of Parent Company	Profit on bank deposits	18,613	14,608
NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT) LIMITED	Group Company of Parent Company	Rent expense	4,112,483	3,709,869
NISHAT HOTELS AND PROPERTIES LIMITED	Group Company of Parent Company	Rent expense	-	2,114,065
NISHAT MILLS LIMITED	Group Company of Parent Company	Gain on disposal	516,009	-
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Group Company of Parent Company	Investment advisory fee Amount paid against life assurance Income from service level agreement	20,226,346 11,461,130 -	18,423,461 - 250,000
ADAMJEE INSURANCE COMPANY LIMITED	Group Company of Parent Company	Amount paid against insurance Amount received against insurance claim Dividend paid Rent Expense	9,934,772 6,420,084 10,910,345 11,165,000	14,895,498 290,990 8,954,750 -
Dolmen City REIT	Group Company of Associated Company	Investment advisory fee	94,521	-
ARIF HABIB CORPORATION LIMITED	Associate with 30.09% Holding Company	Dividend paid	-	37,912,292
ARIF HABIB LIMITED	Subsidiary of Associated Company	Sharing of expenses	-	94,608
MCB CASH MANAGEMENT OPTIMIZER	Funds under management	Management fee Reimbursement of expenses Selling and marketing Dividend Income Investment in units Redemption of units	95,326,076 19,381,299 34,991,563 15,796,808 7,863,350,328 7,547,710,761	105,177,288 11,237,876 - 17,213,586 3,577,182,215 3,792,270,353
MCB DCF INCOME FUND	Funds under management	Management fee Share of sales load Back end load Reimbursement of expenses Selling and marketing Investment in units Redemption of units	66,557,731 118,131 43,100 4,437,182 13,977,559 442,543,174 446,650,374	58,774,821 1,348,129 46,087 3,918,321 - 672,374,484 672,884,742
ALHAMRA ISLAMIC INCOME FUND	Funds under management	Management fee Share of sales load Reimbursement of expenses Sharia fee paid on behalf of the fund Investment in units Redemption of units Selling and marketing	26,206,645 1,407,497 3,308,333 900,000 31,849 32,257 4,316,985	24,653,205 548,493 2,579,135 900,000 402,239,306 402,601,810 -
MCB PAKISTAN ASSET ALLOCATION FUND	Funds under management	Management fee Share of sales load Reimbursement of expenses Selling and marketing Back end load Investment in units Redemption of units	29,977,892 335,456 1,664,666 15,730,552 2,069,071 - 64	58,210,668 286,116 2,910,611 11,641,298 3,057,637 50,000,000 50,123,345
MCB PAKISTAN FREQUENT PAYOUT FUND	Funds under management	Management fee Reimbursement of expenses Selling and marketing Share of sales load	2,914,941 178,089 1,201,220 5,590	4,490,633 328,872 - -
ALHAMRA ISLAMIC STOCK FUND	Funds under management	Management fee Share of sales load Reimbursement of expenses Selling and marketing Sharia fee paid on behalf of the fund	52,965,681 554,402 2,648,283 28,788,631 900,000	61,917,014 1,426,002 3,095,848 12,383,403 900,000
MCB PAKISTAN SOVEREIGN FUND	Funds under management	Management fee Share of sales load Reimbursement of expenses Investment in units Redemption of units Selling and marketing	45,513,643 1,156,141 2,154,844 450,215,700 455,932,455 3,014,366	6,299,297 45,018 652,271 241,312,122 241,482,932 -

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2020 (Rupees)	2019
MCB PAKISTAN STOCK MARKET FUND	Funds under management	Management fee	177,041,287	222,717,140
		Share of sales load	1,226,379	5,049,301
		Back end load	6,744	21,283
		Reimbursement of expenses	8,852,063	11,135,857
		Selling and marketing	99,928,897	44,543,428
		Investment in units	389,604,452	319,246,509
		Redemption of units	565,369,324	219,000,000
PAKISTAN CAPITAL MARKET FUND	Funds under management	Management fee	9,337,507	11,537,919
		Share of sales load	13,475	66,693
		Reimbursement of expenses	466,875	579,832
		Selling and marketing	5,382,242	2,307,585
PAKISTAN CASH MANAGEMENT FUND	Funds under management	Management fee	2,660,699	2,031,380
		Reimbursement of expenses	1,513,060	277,538
		Investment in units	250,556,356	222,389,873
		Redemption of units	250,778,502	222,525,341
PAKISTAN INCOME ENHANCEMENT FUND	Funds under management	Management fee	11,963,403	11,608,524
		Share of sales load	333,362	353,981
		Reimbursement of expenses	708,783	877,677
		Investment in units	-	962,667,274
		Redemption of units	290	963,339,660
		Selling and marketing	3,400,581	-
PAKISTAN INCOME FUND	Funds under management	Management fee	27,031,592	14,626,110
		Share of sales load	353,082	1,230,310
		Reimbursement of expenses	1,640,108	1,495,060
		Selling and marketing	2,127,512	-
		Investment in units	199,475,848	-
		Redemption of units	200,746,301	-
ALHAMRA ISLAMIC ASSET ALLOCATION FUND	Funds under management	Management fee	47,115,774	72,036,176
		Share of sales load	1,349,715	3,272,252
		Back end load	12,427,201	12,240,965
		Reimbursement of expenses	2,355,788	3,601,809
		Selling and marketing	25,798,000	14,407,235
		Sharia fee paid on behalf of the fund	900,000	900,000
ALHAMRA ISLAMIC PENSION FUND	Funds under management	Management fee	13,771,432	12,166,856
		Share of sales load	331,794	671,719
		Contribution to fund on behalf of the employees	13,426,223	16,557,763
PAKISTAN PENSION FUND	Funds under management	Management fee	24,929,665	23,435,799
		Share of sales load	239,490	474,663
		Contribution to fund on behalf of the employees	4,591,244	5,564,415
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I	Funds under management	Management fee	182,671	440,315
		Reimbursement of expenses	436,573	1,154,940
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-II	Funds under management	Management fee	103,580	136,374
		Share of sales load		108,818
		Reimbursement of expenses	324,256	762,715
ALHAMRA DAILY DIVIDEND FUND	Funds under management	Management fee	6,767,233	4,844,583
		Dividend Income	1,044,144	869,942
		Investment in units	479,741	142,885,765
		Redemption of units	37,183,741	106,181,782
		Reimbursement of expenses	1,752,767	
		Selling and marketing	5,614,242	
38.2 Amount outstanding at year end				
MCB BANK LIMITED	Parent company with 51.33% Holding	Bank balance	10,067,104	13,096,131
		Other payable	4,380,075	4,380,075
		Commission payable	3,671,827	4,222,600
		Mark-up receivable	-	115,076
MCB ISLAMIC BANK LIMITED	Subsidiary of Parent Company	Bank balance	327,330	1,093,594
		Mark-up receivable	1,353	1,385
ADAMJEE LIFE ASSURANCE COMPANY LIMITED	Group Company of Parent Company	Advisory fee receivable	2,860,457	9,224,102
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
MCB DCF INCOME FUND	Funds under management	Remuneration receivable	6,340,288	104,461,978
		Sales Load Receivable	54,969	28,331,907
		Receivable against reimbursement of expenses	374,058	318,628
		Receivable against selling & marketing expenses	4,721,237	-
		Federal excise duty on remuneration	99,060,437	-
		Federal excise duty on sales load	27,932,990	-

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2020 (Rupees)	2019	
MCB PAKISTAN ASSET ALLOCATION FUND	Funds under management	Remuneration receivable	2,355,138	23,398,751	
		Sales Load Receivable	246,077	16,330,340	
		Back end load receivable	-	6,779	
		Receivable against reimbursement of expenses	104,210	193,409	
		Receivable against selling & marketing expenses	4,033,759	2,528,787	
		Federal excise duty on remuneration	19,027,350	-	
		Federal excise duty on sales load	16,172,955	-	
MCB CASH MANAGEMENT OPTIMIZER	Funds under management	Remuneration receivable	10,470,848	67,185,313	
		Receivable against reimbursement of expenses	2,187,907	754,375	
		Sales Load Receivable	-	18,788	
		Receivable against selling & marketing expenses	4,654,264	-	
		Federal excise duty on remuneration	54,266,812	-	
		Federal excise duty on sales load	18,788	-	
		Closing balance of investment in units	551,483,642	212,000,020	
ALHAMRA ISLAMIC INCOME FUND	Funds under management	Remuneration receivable	1,887,943	11,233,424	
		Sales Load Receivable	408,972	3,078,600	
		Receivable against reimbursement of expenses	357,973	182,361	
		Receivable against Shariah Fee	75,000	75,000	
		Receivable against selling & marketing expenses	1,694,723	-	
		Federal excise duty on remuneration	8,639,183	-	
		Federal excise duty on sales load	3,028,386	-	
MCB PAKISTAN STOCK MARKET FUND	Funds under management	Remuneration receivable	15,904,439	73,325,972	
		Sales Load Receivable	183,846	3,966,585	
		Other receivable	-	-	
		Receivable against reimbursement of expenses	703,736	820,868	
		Receivable against selling & marketing expenses	28,269,543	10,331,523	
		Federal excise duty on remuneration	54,773,935	-	
		Federal excise duty on sales load	3,932,683	-	
		Closing balance of investment in units	109,436,502	256,003,384	
PAKISTAN INCOME FUND	Funds under management	Remuneration receivable	1,709,855	10,804,604	
		Sales Load Receivable	403,694	296,652	
		Receivable against reimbursement of expenses	175,851	115,300	
		Receivable against selling & marketing expenses	614,221	-	
		Federal excise duty on remuneration	9,210,245	-	
		Federal excise duty on sales load	239,199	-	
		Other Receivable	132,561	-	
MCB PAKISTAN SOVEREIGN FUND	Funds under management	Remuneration receivable	1,381,532	29,786,438	
		Sales Load Receivable	355,019	4,169,839	
		Receivable against reimbursement of expenses	146,506	56,616	
		Receivable against selling & marketing expenses	911,319	-	
		Federal excise duty on remuneration	29,027,974	-	
		Federal excise duty on sales load	4,169,840	-	
PAKISTAN CAPITAL MARKET FUND	Funds under management	Remuneration receivable	790,450	6,826,186	
		Sales Load Receivable	-	393,847	
		Receivable against reimbursement of expenses	34,976	42,204	
		Receivable against selling & marketing expenses	1,439,534	523,686	
		Federal excise duty on remuneration	5,872,250	-	
		Federal excise duty on sales load	392,742	-	
ALHAMRA ISLAMIC STOCK FUND	Funds under management	Remuneration receivable	4,815,010	10,898,534	
		Sales Load Receivable	53,369	175,928	
		Receivable against reimbursement of expenses	213,054	230,793	
		Receivable against selling & marketing expenses	8,147,238	2,873,160	
		Receivable against Shariah Fee	75,000	75,000	
		Federal excise duty on remuneration	5,689,242	-	
		Federal excise duty on sales load	124,913	-	
PAKISTAN PENSION FUND	Funds under management	Remuneration receivable	2,358,801	8,141,849	
		Sales Load Receivable	258,193	1,614,522	
		Federal excise duty on remuneration	5,976,465	-	
		Closing balance of investment in units	266,239,774	245,136,795	
ALHAMRA ISLAMIC ASSET ALLOCATION FUND	Funds under management	Remuneration receivable	3,633,832	11,588,374	
		Sales Load Receivable	201,813	1,362,729	
		Back end load receivable	82,245	502,186	
		Receivable against reimbursement of expenses	160,789	251,193	
		Receivable against selling & marketing expenses	6,180,374	3,144,226	
		Receivable against Shariah Fee	75,000	75,000	
		Federal excise duty on remuneration	5,910,300	-	
		Federal excise duty on sales load	1,135,845	-	
ALHAMRA ISLAMIC PENSION FUND	Funds under management	Remuneration receivable	1,414,549	4,153,360	
		Sales Load Receivable	189,121	128,583	
		Federal excise duty on remuneration	3,030,332	-	
		Closing balance of investment in units	266,955,633	241,679,389	

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

Name of the related party	Relationship and percentage of shareholding	Nature of transaction	2020 (Rupees)	2019
PAKISTAN SARMAVA MAHFOOZ FUND (Matured)	Funds under management	Federal excise duty on remuneration Federal excise duty on sales load	1,960,082 2,307,278	1,960,082 2,307,278
PAKISTAN CASH MANAGEMENT FUND	Funds under management	Remuneration receivable Receivable against reimbursement of expenses Federal excise duty on remuneration	512,154 165,245 11,932,884	11,933,267 - -
PAKISTAN INCOME ENHANCEMENT FUND	Funds under management	Remuneration receivable Sales Load Receivable Receivable against reimbursement of expenses Receivable against selling & marketing expenses Federal excise duty on remuneration Federal excise duty on sales load Other receivable	202,575 28,731 17,675 392,605 16,589,808 4,746,222 132,561	17,581,109 4,818,822 60,251 - - -
MCB PAKISTAN FREQUENT PAYOUT FUND	Funds under management	Remuneration receivable Sales Load Receivable Receivable against reimbursement of expenses Receivable against selling & marketing expenses Federal excise duty on remuneration Federal excise duty on sales load	221,657 14,639 11,794 290,448 840,741 3,624,619	1,276,206 3,624,618 20,962 - - -
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I	Funds under management	Remuneration receivable Receivable against reimbursement of expenses	10,692 28,583	21,710 52,988
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-II	Funds under management	Remuneration receivable Receivable against reimbursement of expenses	5,132 14,847	4,353 59,140
ALHAMRA DAILY DIVIDEND FUND	Funds under management	Remuneration receivable Payable against bank charges Closing balance of investment in units Receivable against reimbursement of expenses Receivable against selling & marketing expenses	776,026 88,126 - 274,700 2,141,742	1,177,289 243,033 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.

39 NUMBER OF EMPLOYEES

The total number of employees as at year end were 295 (2019: 327) and average number of employees were 311 (2019:319).

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on 18 August 2020 has declared final cash dividend of Rs. 2.25 per share (2019: Rs. 1.35 per share declared on 13 September 2019). 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 2021.

41 DATE OF AUTHORIZATION FOR ISSUE

These financial statements were authorized for issue on 18 August 2020 by the Board of Directors of the Company.

42 GENERAL

42.1 Corresponding Figures

Salaries, allowances and other benefits of Rs. 133.02 million for the year ended 30 June 2019 have been reclassified from administrative expenses to selling and distribution expenses for a more appropriate presentation.

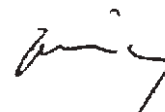
42.2 All amounts have been rounded off to the nearest Rupee unless otherwise stated.



Chief Executive Officer



Chief Financial Officer



Director

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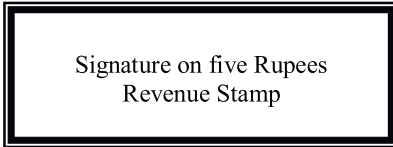
*Mobile apps are also available for download for android and ios devices

FORM OF PROXY
20th ANNUAL GENERAL MEETING
On October 19, 2020

The Company Secretary
MCB-Arif Habib Savings and Investments Limited
2nd Floor, Adamjee House, I.I. Chundrigar Road,
Karachi.

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 20th Annual General Meeting of the Company to be held on Monday, October 19,
2020 and at any adjournment thereof.

Signed this _____ day of _____ 2020.



(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 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, 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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AFFIX
CORRECT
POSTAGE

MCB ARIF HABIB SAVINGS & INVESTMENTS LIMITED

Adamjee House, 2nd Floor,
I.I. Chundrigar Road, Karachi

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پراکسی فارم
میسواں سالانہ اجلاس عام
مؤرخہ 19 اکتوبر 2020ء

کمپنی سیکریٹری
ایم سی بی عارف حبیب سیونگزا اینڈ انوسٹمنٹس لمیٹڈ
دوسری منزل، آدم جی ہاؤس، آئی آئی چندریگر روڈ،
کراچی

میں/ہم _____ کا/کے _____ کے ضلع میں ایم سی بی عارف حبیب سیونگزا اینڈ
انوسٹمنٹس لمیٹڈ کے ایک ممبر ہونے کی حیثیت سے _____ کے _____ کو مؤرخہ 19 اکتوبر 2020ء بروز پیر منعقد ہونے والے
میسواں 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 _____ 2020ء کو دستخط ہوئے۔

پانچ روپے کے ریونیو اسٹیپ 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: _____

کمپیوٹرائزڈ قومی شناختی کارڈ / پاسپورٹ نمبر: _____

شیئر ہولڈر فو لیو 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، دوسری منزل، آدم جی ہاؤس، آئی آئی چندریگر روڈ، کراچی 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 شیئر ہولڈر داران 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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