

Half Year Report
December 31, 2016
(Unaudited)



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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

COMPANY INFORMATION

Board of Directors	Mian Mohammad Mansha Mr. Nasim Beg Mr. Muhammad Saqib Saleem Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmed	Chairman Vise Chairman Director Chief Executive Officer Director Director Director Director
Audit Committee	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Nasim Beg	Chairman Member Member Member
Human Resource & Remuneration Committee	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir	Chairman Member Member Member
Chief Executive Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Asif Mehdi Rizvi	
Company Secretary	Mr. Abdul Basit	
Share Registrar	Central Depository Company of Pakistan Ltd. CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisak Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcpakistan.com	
Bankers	MCB Bank Limited Summit Bank Limited Bank Al-Habib Limited NIB Bank Limited MCB Islamic Bank Limited Faysal Bank Limited	
Auditors	KPMG Taseer Hadi & Co. Chartered Accountant 1st, Shaikh Sultan Trust, Building No.2, Beamaount Road, Karachi - 75530	
Legal Advisor	Akhund Forbes D-21, Block-4, Scheme-5 Clifton, Karachi Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
Registered Office	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi - 74900	
Rating	Asset Manager: "AM2++" (PACRA) Entity Ratings: "AA-" Long Term (PACRA) "A1+" Short Term (PACRA)	

DIRECTOR'S REPORT FOR THA HALF YEAR ENDED DECEMBER 31, 2016

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (MCBAH) is pleased to present the Half Yearly Report on the affairs of MCBAH for the period ended December 31, 2016.

Company's Performance Review

The Company recorded a gross income of Rs. 368.47 million, which includes management/investment advisory fee and other operating income. After accounting for administrative, operating & financial expenses and income sharing of Rs. 246.88 million, the company earned a profit before tax of Rs. 121.58 million. The net profit after tax for the period amounts to Rs. 86.60 million, as compared to net profit of Rs. 113.74 million for the corresponding period ended December 31, 2015. With the increasing trend of funds under management and higher returns, the company is expected to deliver better results going forward.

MARKET & ECONOMIC REVIEW

Economy & Money Market Review

Weakness in external account raised concerns in otherwise progressive improvement in headline economic indicators continuing for the last 2 years. Weak trade balance, primarily due to subdued trend in exports and higher imports alongwith weak contribution from services and remittances kept the pressure on overall Current Account balance which widened 92% in 1HFY17 to USD 3.6 billion. It is pertinent to note that partial increase in imports is triggered by machinery imports which have increased by 8.3% alongwith increase in oil import bill which is expected to widen further given recent arrangements from OPEC to support Int'l Crude Oil prices. The cushion to Balance of Payments was bolstered by financial account of USD 3.7 bn where major respite came from the net borrowing of USD 740 million alongwith the inflow materialized in FDI on completion of acquisition of stake in Engro Foods by Freisland Campina. Overall balance of the Balance of Payments stood at USD 225 mn compared to USD 1.5 bn during same period of last year.

Foreign exchange reserves stood at USD 23.2 bn (06th Jan 2017). It is pertinent to note that SBP reserves explain most of the volatility in Forex reserves where government borrowing and retirement of loans has net negative balance in 1HFY17 while closing approx USD 1bn lower from peak seen in Oct 16.

Undergoing appreciation of about 0.4% in 1HFY17, PKR continues to remain resilient against USD which also raises concerns given the relative weakness in other developing economies and also reflected from REER as measured by SBP reaching to a high of 126 depicting significant overvaluation.

Fiscal deficit increased to 1.3 % (1QFY17) of GDP as against 1.1% in SPLY due to sharp decline in non-tax revenue. On provisional basis, tax authority has managed to collect PKR 1,460 billion during 1HFY17, recording a shortfall of PKR ~127 billion from the desired target. With annual tax collection target of PKR 3.6 trillion; demanding a growth rate of 17% YoY, and higher development spending, fiscal deficit is likely to exceed 4.5% against budgetary target of 3.8%. Focus of government on development spending is however positive for the overall long term direction and thus slippage on this front is not a major concern.

DIRECTOR'S REPORT FOR THA HALF YEAR ENDED DECEMBER 31, 2016

LSM grew by 3.24%YoY in 5MFY17. The growth is driven through consumer, electrical, automobiles and cement manufacturing.

Inflation continued its upward trajectory with first half averaging 3.88% compared to 2.08% for 1HFY16. The withering of low base effect along with inherent increases in food and housing pricing triggered inflationary pressures. The government kept on absorbing the incremental petrol prices which kept the inflation subdued.

M2 growth posted year to date growth of 5.45% by the end of the year. The deposits grew seasonally by PKR 420 bn in a week supported by year end efforts of banks to expand balance sheet size. Thereafter, the M2 growth has normalized to 3.68%. Moreover, the abnormal accumulation in currency in circulation (CIC) last year triggered after imposition of withholding tax on cash withdrawals has normalized though CIC to M2 ratio is still high at 26% against previous average of 22%. The Net Domestic Assets increased by PKR 518 bn supported by net government sector borrowings of PKR 390 bn.

Equities Market Review

Pakistan Stock Exchange (PSX) continued its positive momentum of 1QFY17 by posting another 16.64% return in 2QFY16 to conclude the period 26.53% higher (47,807 points). In calendar year 2016, the local bourse remained the best performing market in the region and stood 5th in global ranking with a USD based return of 45%. This was despite an aggressive selling from the foreign investors, who remained net sellers of USD 298mn in 1HFY16, compared to USD 240 mn in the corresponding period last year. This heavy selling was absorbed mostly by Mutual Funds and NBFCs with net buying of USD 307mn and USD 102mn, respectively.

Auto Parts Manufacturers and Auto Assemblers remained the best performing sectors during 1HFY17 with returns of 83% and 77%, respectively. Among the mainstream sectors, Banks outperformed the rest with a 33% return during the period under review, mainly on account of improving advances, rising deposits and bottomed out interest rate outlook. Cements also posted a 30% return during the period under review as strong demand coupled with healthy margins kept the investors' interest alive in the sector. Improving crude oil prices also made a mark on the E&Ps, which posted a healthy 27% return during 1HFY17. Fertilizers on the other hand, underperformed the index by posting a modest 2% return, as rising inventories coupled with discounts on urea prices took their toll on the sector.

We expect the positive momentum to continue going ahead as market draws close to its graduation to MSCI EM Index. In addition, low interest rates scenario is also keeping fixed income returns subdued, which is further attracting the liquidity in the equity market. PSX is currently trading at a forward multiple of 11.99x, still trading at a 10.5% discount to the MSCI EM, reflecting further room for re-rating from here.

MARKET & ECONOMY - FUTURE OUTLOOK

The reversal in crude oil prices is expected to wither of the fiscal space previously available amid growing import bill. The recent decision by government to revise up petroleum prices in its latest fortnightly decision points towards constricting fiscal liberty.

DIRECTOR'S REPORT FOR THA HALF YEAR ENDED DECEMBER 31, 2016

The recently announced textile package is expected to provide support to the export sector. However, the overvalued currency as depicted from REER still remains a blockade for export competitiveness of the country however the same may remain deferred till the government continues to fund the gap through borrowing.

The inflationary pressures are also expected to succumb to expected increments in petroleum prices along with its trickle down impact on food inflation. We expect inflation for the year to average ~4.3%. It is pertinent to note inflation for next half of the year is expected to average around 4.8% with inflation for closing months of the year to exceed 5%.

While, we expect interest rates to remain stable in the short term given the stable inflationary trends, exchange rate overvaluation alongwith weak external account suggest a close review of emerging trends with potential for inflection on either side though biased in favor of monetary tightening.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with above \$50 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

Pakistan being in an economic expansionary cycle amid better positioning due to lower/stable interest rate environment along with growth trigger in the form China Pakistan Economic Corridor would fare better compared to other Emerging Market economies. The program is expected to favour the construction and allied industrial sectors. Banking sector is also expected to be beneficiary of strong advances growth in a stable interest rate environment. The MSCI specific companies are expected to gain limelight as formal inclusion nears. However, the volatility in global markets lead by uncertainty in global economies after Trump's induction as US President and redemption pressures on emerging market funds would keep the short term market performance in check. But we reiterate our positive stance on the market.

MUTUAL FUND INDUSTRY REVIEW

The Net Assets of the open end mutual fund industry stood at ~PKR 587 billion at the end of the 2QFY16. Size of Equity, Balanced, Asset Allocation, Fund of Funds (Islamic/Conventional), Fixed Income and money market funds increased during 1HFY16.

In terms of the segment share, Equity and Equity related funds continued to be the leader with a share of ~59%, followed by Income funds and Money Market funds having shares of 28% and 13% respectively.

MUTUAL FUND INDUSTRY OUTLOOK

Increasing liquidity continues to channel towards equities given the overall subdued environment for competing assets including real estate atleast in the medium term. Aggressive Asset Allocation Funds have been able to garner strong market interest and appear to remain attractive for investors looking for higher risk adjusted returns.

**DIRECTOR'S REPORT
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

On the fixed income side, money market funds are expected to remain stable because of lower absolute returns. With only a little room for a sustainable cut in interest rates, opportunities for capital gain in fixed income securities would remain muted while more focus shall remain on yield differential pickup across the yield curve.

With lower interest rates, investors are keen to explore avenues to enhance returns and are increasing becoming open to professional investment advisory services which though extremely competitive yet offers potential to support bottom line growth.

For and behalf of the Board

Muhammad Saqib Saleem

Chief Executive Officer

February 02, 2017

**CONDENSED INTERIM BALANCE SHEET
AS AT DECEMBER 31, 2016**

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	(Rupees)	
ASSETS		
Non-current assets		
Fixed assets	4 359,969,872	339,731,158
Long-term investments	5 538,793,095	456,022,751
Long-term loans and receivables	1,855,169	1,272,138
Long-term deposits	2,496,712	2,721,712
	903,114,848	799,747,759
Current assets		
Receivable from related parties	6 486,768,404	484,256,904
Loans and advances	15,943,103	4,909,746
Deposits, prepayments and other receivables	7 24,190,764	24,692,036
Accrued mark-up	76,475	5,243,237
Short-term investments	8 725,026,409	757,711,173
Taxation - net	9 63,366,571	55,442,878
Cash and bank balances	19,603,134	41,867,164
	1,334,974,860	1,374,123,138
Total assets	2,238,089,708	2,173,870,897
EQUITY AND LIABILITIES		
Share capital and reserves		
Authorised share capital		
72,000,000 (June 30, 2016: 72,000,000) ordinary shares of Rs 10 each	720,000,000	720,000,000
Issued, subscribed and paid-up share capital	720,000,000	720,000,000
Reserves	903,560,279	829,228,787
Total equity	1,623,560,279	1,549,228,787
LIABILITIES		
Non-current liabilities		
Deferred taxation	54,729,349	47,237,901
Current liabilities		
Trade and other payables	10 559,800,080	577,404,209
Total liabilities	614,529,429	624,642,110
Total equity and liabilities	2,238,089,708	2,173,870,897
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The annexed notes 1 to 23 form an integral part of this condensed interim financial information.

Chief Executive Officer

Director

**CONDENSED INTERIM PROFIT & LOSS ACCOUNT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

Note	Half year ended 31 December		Quarter ended 31 December	
	2016 (Rupees)	2015	2016 (Rupees)	2015
Revenue				
Management fee / investment advisory fee	11 316,639,160	353,477,651	161,915,006	185,176,638
Processing and other related income	3,053,807	1,683,187	1,879,717	1,133,412
Profit on bank deposits	663,965	957,515	287,391	453,206
Income from government securities	5,598,241	14,534,415	2,224,291	4,579,125
Capital gain on sale of investments - net	23,916,755	10,466,054	18,900,133	7,324,850
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	8.1 3,986,804	4,501,977	(2,065,270)	4,327,776
	353,858,732	385,620,799	183,141,268	202,995,007
Expenses				
Administrative expenses	12 (150,724,304)	(145,545,156)	(81,157,538)	(75,494,897)
Selling and distribution expenses	13 (93,319,291)	(74,264,067)	(42,058,230)	(37,169,727)
Financial charges	(360,218)	(180,323)	(332,250)	(25,760)
Other expenses	(2,480,000)	(3,313,029)	(1,545,000)	(1,806,128)
	(246,883,813)	(223,302,575)	(125,093,018)	(114,496,512)
	106,974,919	162,318,224	58,048,250	88,498,495
Other income	14 14,609,520	20,174	14,509,687	1,749
Profit for the period before taxation	121,584,439	162,338,398	72,557,937	88,500,244
Taxation				
- Current period	(31,069,514)	(45,395,811)	(17,300,000)	(23,446,815)
- Prior period	(1,087,309)	(1,753,966)	(1,087,309)	(1,753,966)
- Deferred	(2,818,193)	(1,445,398)	(978,361)	1,596,199
	(34,975,016)	(48,595,175)	(19,365,670)	(23,604,582)
Profit for the period after taxation	86,609,423	113,743,223	53,192,267	64,895,662
Earnings per share - basic and diluted	1.20	1.58	0.74	0.90

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

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended 31 December		Quarter ended 31 December	
	2016	2015	2016	2015
	(Rupees)		(Rupees)	
Profit for the period after taxation	86,609,423	113,743,223	51,140,785	64,895,662
Other comprehensive income for the period				
<i>Items that may be reclassified subsequently to profit or loss</i>				
Net unrealised appreciation on re-measurement of available for sale' investments - net of deferred tax	113,722,069	(4,357,847)	81,751,097	12,293,633
Total comprehensive income for the period	200,331,492	109,385,376	132,891,882	77,189,295

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

Chief Executive Officer

Director

**CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

	Half year ended	
	31 December 2016	31 December 2015
	(Rupees)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit for the period before taxation	121,584,439	162,338,398
Adjustments for non-cash and other items:		
Depreciation	5,279,216	4,849,188
Amortisation	2,589,189	1,695,077
Financial charges	360,218	180,323
Unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss' - net	(3,986,804)	(4,501,977)
Capital gain on sale of investments - net	(23,916,755)	(10,466,054)
Gain on disposal of fixed assets	(112,579)	-
	<u>(19,787,515)</u>	<u>(8,243,443)</u>
Operating cash flows before working capital changes	101,796,924	154,094,955
Movement in working capital		
(Increase) / decrease in current assets		
Loans and advances	(11,033,357)	(17,839,899)
Deposits, prepayments and other receivables	501,272	2,594,322
Accrued mark-up	5,166,762	2,747,328
Receivable from related parties	(2,511,500)	(100,922,102)
	<u>(7,876,823)</u>	<u>(113,420,351)</u>
Increase / (decrease) in current liabilities		
Trade and other payables	<u>(17,761,456)</u>	<u>56,463,520</u>
Net cash generated from operations	76,158,645	97,138,124
Taxes paid	(40,080,516)	(55,675,365)
Financial charges paid	(360,218)	(180,323)
Dividend paid	(125,842,674)	(124,098,633)
	<u>(166,283,408)</u>	<u>(179,954,321)</u>
Net cash (used) in / generated from operating activities	(90,124,763)	(82,816,197)
CASH FLOWS FROM INVESTING ACTIVITIES		
Fixed capital expenditure	(28,189,039)	(24,755,893)
Sale proceeds from disposal	194,472	-
Long-term loans and receivables	(583,031)	1,734,849
Long-term deposits	225,000	(1,372,676)
Net proceeds from disposal of fixed assets	-	-
Proceeds against redemption of investments	96,213,331	(267,102,698)
Net cash used in investing activities	67,860,733	(291,496,418)
Net increase in cash and cash equivalents	(22,264,030)	(374,312,615)
Cash and cash equivalents at the beginning of the period	41,867,164	387,372,374
Cash and cash equivalents at the end of the period	19,603,134	13,059,759

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

Chief Executive Officer

Director

**CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2016**

	Reserves							Total
	Capital				Revenue			
	Issued, subscribed and paid-up capital	Share premium	Deficit arising on amalgamation	Sub-total	Unappropriated profit	Unrealised appreciation on re-measurement of 'available for sale' financial assets	Sub-total	
(Rupees)								
Balance as at July 1, 2015	720,000,000	396,000,000	(60,000,000)	336,000,000	213,614,734	224,243,102	437,857,836	1,493,857,836
Profit after taxation for the half year ended December 31, 2015	-	-	-	-	113,743,223	-	113,743,223	113,743,223
Other comprehensive income for the half year ended December 31, 2015	-	-	-	-	-	(4,357,847)	(4,357,847)	(4,357,847)
Transferred from surplus on revaluation of property - net of deferred taxation	-	-	-	-	288,031	-	288,031	288,031
Final dividend for the year ended June 30, 2015 at Rs 1.75 per share	-	-	-	-	(126,000,000)	-	(126,000,000)	(126,000,000)
	-	-	-	-	(11,968,746)	(4,357,847)	(16,326,593)	(16,326,593)
Balance as at December 31, 2015	720,000,000	396,000,000	(60,000,000)	336,000,000	201,645,988	219,885,255	421,531,243	1,477,531,243
Profit after taxation for the half year ended June 30, 2016	-	-	-	-	125,365,663	-	125,365,663	125,365,663
Other comprehensive income for the half year ended June 30, 2016	-	-	-	-	-	37,922,515	37,922,515	37,922,515
Transferred from surplus on revaluation of property - net of deferred taxation	-	-	-	-	16,409,366	-	16,409,366	16,409,366
Interim dividend for the year ended June 30, 2016 at Rs 1.50 per share	-	-	-	-	(108,000,000)	-	(108,000,000)	(108,000,000)
	-	-	-	-	33,775,029	37,922,515	71,697,544	71,697,544
Balance as at June 30, 2016	720,000,000	396,000,000	(60,000,000)	336,000,000	235,421,017	257,807,770	493,228,787	1,549,228,787
Profit after taxation for the half year ended December 31, 2016	-	-	-	-	86,609,423	-	86,609,423	86,609,423
Other comprehensive income for the half year ended December 31, 2016	-	-	-	-	-	113,722,069	113,722,069	113,722,069
Transferred from surplus on revaluation of property - net of deferred taxation	-	-	-	-	-	-	-	-
Final dividend for the year ended June 30, 2016 at Rs 1.75 per share	-	-	-	-	(126,000,000)	-	(126,000,000)	(126,000,000)
	-	-	-	-	(39,390,577)	113,722,069	74,331,492	74,331,492
Balance as at December 31, 2016	720,000,000	396,000,000	(60,000,000)	336,000,000	196,030,440	371,529,839	567,560,279	1,623,560,279

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

Chief Executive Officer

Director

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

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 August 30, 2000 as an unquoted public limited company under the requirements of the Companies Ordinance, 1984. During 2008, AHIML was listed on the Karachi Stock Exchange Ltd. (now integrated into the Pakistan Stock Exchange Limited) by way of offer for sale of shares by a few of its existing shareholders to the general public. In the same financial year, the name of AHIML was changed from "Arif Habib Investment Management Limited" to "Arif Habib Investments Limited" (AHIL). On January 19, 2011, a transfer agreement was signed between Arif Habib Corporation Limited (AHCL) [the then parent of AHIL] and MCB Bank Limited (MCB Bank) [the then parent of MCB Asset Management Company Limited (MCB AMC)] for transfer of the entire business of MCB AMC to AHIL to achieve synergies in business and to access a wider distribution network. The scheme of amalgamation ("the Scheme") was approved by the shareholders of AHIL and MCB AMC in their respective extraordinary general meetings held on May 21, 2011. The Scheme was also approved by the Securities and Exchange Commission of Pakistan (SECP) with the effective date of amalgamation being June 27, 2011 (the effective date). In accordance with the terms contained in the Scheme, the Company became a subsidiary of MCB Bank Limited from the end of the year ended June 30, 2011 which owns 51.33% ordinary shares in the Company till date. Pursuant to the merger of MCB AMC with and into AHIL, the name of AHIL has been changed to MCB-Arif Habib Savings and Investments Limited effective from May 23, 2013.
- 1.2** The Company is registered as a Pension Fund Manager under the Voluntary Pension System Rules, 2005, as an Asset Management Company and an Investment Advisor under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003.
- 1.3** The registered office of the Company is situated at 24th Floor, Centrepoint, Off Shaheed-e- Millat Expressway, near K.P.T. Interchange, Karachi, Pakistan. Previously, the registered office of the Company was situated at 8th Floor, Techno City, Corporate Tower, Molana Hasrat Mohani Road, Karachi, Pakistan.
- 1.4** The Company has been assigned an Asset Manager rating of AM2++ by the Pakistan Credit Rating Agency Limited (PACRA). The rating was determined by PACRA on June 08, 2016. Currently, the Company is managing the following funds under management:

	Net assets value as at	
	<i>Note</i>	
	December	June 30,
	31, 2016	2016
	(Rupees in million)	
Open-end Collective Investment Scheme (CISs)		
Pakistan Income Fund	1,169	1,050
MCB Pakistan Stock Market Fund	10,983	8,018
MCB Pakistan Sovereign Fund	3,842	8,691
Pakistan International Element Islamic Asset Allocation Fund	1,187	821
Pakistan Capital Market Fund	694	627
Pakistan Cash Management Fund	1,384	1,993
Pakistan Income Enhancement Fund	3,106	2,463
MCB Pakistan Islamic Stock Fund	1,776	1,123
MCB Islamic Income Fund	860	968
MCB Pakistan Asset Allocation Fund	2,286	2,718
MCB DCF Income Fund	7,009	6,849
Alhamra Islamic Active Asset Allocation Fund	<i>1.5</i>	877
MCB Cash Management Optimizer	6,445	3,958
MCB Pakistan Frequent Payout Fund	1,189	796
Pakistan Sarmaya Mehfooz Fund	<i>1.6</i>	-
		666

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Net assets value as at	
	December 31, 2016	June 30, 2016
	(Rupees in million)	
Pension Funds		
Pakistan Pension Fund	1,353	1,107
Pakistan Islamic Pension Fund	621	513
Discretionary portfolio	22,501	20,868

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

Number of clients	67	62
Total portfolio at cost (Rs in millions)	21,381	20,232
Total portfolio at market value (Rs in millions)	22,628	20,611

	December 31, 2016	December 31, 2015
Fee earned (Rs. in millions)	17	13

1.5 The Alhamra Islamic Active Allocation Plan-I is a Shari'ah Compliant Islamic Asset Allocation Plan with an objective to earn a potentially high return through active asset allocation among Shari'ah Compliant Islamic Schemes based on the Fund Manager's outlook of the asset classes.

1.6 During the current period, the "Pakistan Sarmaya Mehfooz Fund" has completed its tenure on 19 December 2016.

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

2 BASIS OF PRESENTATION

2.1 Statement of compliance

a) This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan. The approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP differ with the requirements of IFRSs, the requirements of the Companies Ordinance, 1984, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

b) The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. This condensed interim financial information does not include all the information and disclosures required in a full set of financial statements and should be read in conjunction with the annual published audited financial statements of the Company for the year ended June 30, 2016.

c) This condensed interim financial information is unaudited. However, a review has been performed by the statutory auditors in accordance with the requirements of the Code of Corporate Governance.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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d) IFRS 10, 'Consolidated Financial Statements' became effective for annual periods beginning on or after 1 January 2015. The standard requires an asset manager to assess whether there is a need to consolidate the funds under its management in its consolidated financial statements. The Standard builds on existing principles by identifying the concept of control as the determining factor for consolidation of funds in the financial statements and provides additional guidance to assist in the determination of control where this is difficult to assess. However, the SECP vide SRO 56 (I) / 2016 dated January 28, 2016 has directed that the requirements of consolidation under section 237 of the Companies Ordinance, 1984 and IFRS 10 are not applicable in case of investments made by companies in mutual funds established under trust schemes. Accordingly, the Company has not prepared consolidated financial statements in respect of mutual funds managed by it.

2.2 Accounting convention

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

2.3 Functional and presentation currency

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

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

3.1 The accounting policies applied for the preparation of this condensed interim financial information are the same as those applied in the preparation of the annual published audited financial statements of the Company for the year ended June 30, 2016.

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

The significant estimates, judgments and assumptions made by the management in applying the accounting policies and the key sources of estimation uncertainty were the same as those that applied to the annual financial statements as at and for the year ended June 30, 2016.

3.3 The financial risk management objectives and policies are consistent with those disclosed in the annual published audited financial statements of the Company for the year ended June 30, 2016.

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

3.4.1 There were certain amendments to approved accounting standards that have been published and are mandatory for the Company's accounting period beginning on or after July 1, 2016. None of those amendments have a significant effect on this condensed interim financial information.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
(Rupees)			
4 FIXED ASSETS			
Property and equipment	4.1	74,274,854	48,997,660
Intangible assets	4.2	283,773,518	282,862,707
Capital work in progress	4.4	1,921,500	7,870,791
		<u>359,969,872</u>	<u>339,731,158</u>

4.1 Property and equipment

Following is a statement of property and equipment:

	December 31, 2016 (Unaudited)					Total
	Computers	Office equipment	Furniture and fixtures	Leasehold improvements	Vehicles	
(Rupees)						
As at July 1, 2016						
Cost	31,702,035	12,704,062	9,776,101	30,259,863	7,662,267	92,104,328
Accumulated depreciation	(25,188,074)	(7,454,615)	(1,743,281)	(1,058,431)	(7,662,267)	(43,106,668)
Net book value	<u>6,513,961</u>	<u>5,249,447</u>	<u>8,032,820</u>	<u>29,201,432</u>	<u>-</u>	<u>48,997,660</u>
Half year ended December 31, 2016						
Opening net book value	6,513,961	5,249,447	8,032,820	29,201,432	-	48,997,660
Additions during the period	2,191,932	8,755,677	2,982,885	16,707,803	-	30,638,297
Disposals during the period						
Cost	(9,673,797)	(1,003,853)	(113,829)	-	-	(10,791,479)
Accumulated depreciation	9,653,164	942,606	113,822	-	-	10,709,592
	(20,633)	(61,247)	(7)	-	-	(81,887)
Depreciation for the period	(1,635,067)	(1,365,576)	(460,993)	(1,817,580)	-	(5,279,216)
Closing net book value	<u>7,050,193</u>	<u>12,578,301</u>	<u>10,554,705</u>	<u>44,091,655</u>	<u>-</u>	<u>74,274,854</u>
As at December 31, 2016						
Cost	24,220,170	20,455,886	12,645,157	46,967,666	7,662,267	111,951,146
Accumulated depreciation	(17,169,977)	(7,877,585)	(2,090,452)	(2,876,011)	(7,662,267)	(37,676,292)
Net book value	<u>7,050,193</u>	<u>12,578,301</u>	<u>10,554,705</u>	<u>44,091,655</u>	<u>-</u>	<u>74,274,854</u>
Depreciation rates (% per annum)	<u>25%</u>	<u>20% - 50%</u>	<u>10%</u>	<u>10% - 20%</u>	<u>25%</u>	
	June 30, 2016 (Audited)					Total
	Computers	Building	Office equipment	Furniture and fixtures	Leasehold improvements	
(Rupees)						
As at July 1, 2015						
Cost / revaluation	30,679,139	84,494,665	13,579,008	15,904,067	2,725,000	155,044,146
Accumulated depreciation	(23,727,042)	(17,180,644)	(9,094,341)	(9,537,943)	(860,323)	(68,062,560)
Net book value	<u>6,952,097</u>	<u>67,314,021</u>	<u>4,484,667</u>	<u>6,366,124</u>	<u>1,864,677</u>	<u>86,981,586</u>
Year ended June 30, 2015						
Opening net book value	6,952,097	67,314,021	4,484,667	6,366,124	1,864,677	86,981,586
Additions during the year	3,201,745	-	4,900,450	8,222,120	30,259,863	46,584,178
Disposals / transfers during the year						
Cost	-	(84,494,665)	(2,920,659)	(14,250,186)	(2,725,000)	(104,390,510)
Accumulated depreciation	-	18,862,962	2,295,264	10,375,033	1,269,073	32,802,332
	-	(65,631,703)	(625,395)	(3,875,153)	(1,455,927)	(71,588,178)
Write offs						
Cost	(2,178,849)	-	(2,854,737)	(99,900)	-	(5,133,486)
Accumulated depreciation	2,172,937	-	2,837,600	49,950	-	5,060,487
	(5,912)	-	(17,137)	(49,950)	-	(72,999)
Depreciation for the year	(3,609,963)	(1,682,318)	(3,266,874)	(2,133,936)	(1,467,181)	(12,160,272)
Impairment loss	(24,006)	-	(226,264)	(496,385)	-	(746,655)
Closing net book value	<u>6,513,961</u>	<u>-</u>	<u>5,249,447</u>	<u>8,032,820</u>	<u>29,201,432</u>	<u>48,997,660</u>
As at June 30, 2016						
Cost / revaluation	31,702,035	-	12,704,062	9,776,101	30,259,863	92,104,328
Accumulated depreciation	(25,188,074)	-	(7,454,615)	(1,743,281)	(1,058,431)	(43,106,668)
Net book value	<u>6,513,961</u>	<u>-</u>	<u>5,249,447</u>	<u>8,032,820</u>	<u>29,201,432</u>	<u>48,997,660</u>
Depreciation rates (% per annum)	<u>25%</u>	<u>5%</u>	<u>20% - 50%</u>	<u>10%</u>	<u>10% - 20%</u>	<u>25%</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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4.1.1 Included in the cost of property and equipment are fully depreciated items which are still in use aggregating to Rs. 47.622 million (June 30, 2016: Rs. 16.26 million).

4.2 Intangible assets

Following is a statement of intangible assets:

	December 31, 2016 (Unaudited)			
	Computer software	Goodwill	Management rights	Total
	----- (Rupees) -----			
As at July 1, 2016				
Cost	32,027,019	82,126,933	192,000,000	306,153,952
Accumulated amortisation	(23,291,245)	-	-	(23,291,245)
Net book value	<u>8,735,774</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>282,862,707</u>
Half year ended December 31, 2016				
Opening net book value	8,735,774	82,126,933	192,000,000	282,862,707
Additions during the period	3,500,000	-	-	3,500,000
Disposals / transfers during the period				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Amortisation for the period	(2,589,189)	-	-	(2,589,189)
Closing net book value	<u>9,646,585</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>283,773,518</u>
As at December 31, 2016				
Cost	35,527,019	82,126,933	192,000,000	309,653,952
Accumulated amortisation	(25,880,434)	-	-	(25,880,434)
Net book value	<u>9,646,585</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>283,773,518</u>
Amortisation rates (% per annum)	<u>25%</u>			
	June 30, 2016 (Audited)			
	Computer software	Goodwill	Management rights	Total
	----- (Rupees) -----			
As at July 1, 2015				
Cost	27,628,022	82,126,933	192,000,000	301,754,955
Accumulated amortisation	(18,903,156)	-	-	(18,903,156)
Net book value	<u>8,724,866</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>282,851,799</u>
Year ended June 30, 2016				
Opening net book value	8,724,866	82,126,933	192,000,000	282,851,799
Additions during the year	4,398,997	-	-	4,398,997
Disposals / transfers during the year				
Cost	-	-	-	-
Accumulated amortisation	-	-	-	-
Amortisation for the year	(4,388,089)	-	-	(4,388,089)
Closing net book value	<u>8,735,774</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>282,862,707</u>
As at June 30, 2016				
Cost	32,027,019	82,126,933	192,000,000	306,153,952
Accumulated amortisation	(23,291,245)	-	-	(23,291,245)
Net book value	<u>8,735,774</u>	<u>82,126,933</u>	<u>192,000,000</u>	<u>282,862,707</u>
Amortisation rates (% per annum)	<u>25%</u>			

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

4.3 Depreciation and amortisation is allocated as follows:

	Note	(Unaudited) December 31, 2016		(Unaudited) December 31, 2015	
		Depreciation	Amortisation	Depreciation	Amortisation
		(Rupees)		(Rupees)	
Charged to profit and loss	12	4,971,221	2,134,101	4,849,188	1,695,077
Charged to Collective investment Schemes under management	12.1	307,986	455,088	121,704	179,833
		<u>5,279,207</u>	<u>2,589,189</u>	<u>4,970,892</u>	<u>1,874,910</u>

4.4 This represents cost of certain capital expenditure being incurred on newly rented premises.

Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	<u>538,793,095</u>	<u>456,022,751</u>

5 LONG-TERM INVESTMENTS

Investments in units of pension schemes - related parties

Available-for-sale investments	5.1	<u>538,793,095</u>	<u>456,022,751</u>
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5.1 Available-for-sale

Name of the Investee fund	As at July 01, 2016	Purchases / bonus / right	Redemptions / sale	As at December 31, 2016	As at December 31, 2016			As at June 30, 2016		
					(Un-audited)			(Audited)		
					Cost	Market value	Unrealised appreciation	Cost	Market value	Unrealised appreciation
					----- (Rupees) -----					
Pakistan Pension Fund	805,305	-	-	805,305	102,112,651	259,671,786	157,559,135	102,112,651	221,228,697	119,116,046
Pakistan Islamic Pension Fund	876,129	-	-	876,129	108,787,629	279,121,309	170,333,680	108,787,629	234,794,054	126,006,425
					<u>210,900,280</u>	<u>538,793,095</u>	<u>327,892,815</u>	<u>210,900,280</u>	<u>456,022,751</u>	<u>245,122,471</u>

(Unaudited) December 31, 2016	(Audited) June 30, 2016
<u>538,793,095</u>	<u>456,022,751</u>

6 RECEIVABLE FROM RELATED PARTIES

Unsecured - considered good

Pakistan Income Fund	11,225,090	11,120,962
MCB Pakistan Stock Market Fund	81,009,287	75,749,892
MCB Pakistan Sovereign Fund	36,551,172	40,329,378
Pakistan Capital Market Fund	7,632,919	7,601,360
MCB Pakistan Islamic Stock Fund	9,436,261	8,820,148
Pakistan International Element Islamic Asset Allocation Fund	9,870,556	9,511,365
Pakistan Pension Fund	9,012,449	8,507,272
Pakistan Islamic Pension Fund	4,126,039	4,201,835
Pakistan Cash Management Fund	12,953,621	12,862,951
Pakistan Income Enhancement Fund	24,751,197	28,379,458
MCB Islamic Income Fund	12,570,927	12,307,321
Pakistan Sarmaya Mehfooz Fund	4,787,515	4,934,531
MCB Pakistan Asset allocation Fund	39,738,132	41,461,507
MCB Cash Management Optimizer	59,867,625	57,912,481
MCB DCF Income Fund	137,966,385	139,204,495
Al Hamra Islamic Active Asset Allocation Fund - Plan I	5,264,660	-
MCB Pakistan Frequent Payout Fund	9,948,547	11,637,373
	<u>476,712,382</u>	<u>474,542,329</u>
Advisory fee receivable on account of discretionary portfolio management of Adamjee Life Assurance Company Limited	10,056,022	9,714,575
	<u>486,768,404</u>	<u>484,256,904</u>

6.1 The above amounts represent receivable on account of management fee, federal excise duty, sales tax on management fee, sales load, conversion cost and other expenses paid on behalf of the related parties. This includes Federal Excise Duty amounting to 399.62 million (June 30, 2016: Rs 399.62 million) which has been accrued by the Company and is receivable from the funds under its management. The matter is further explained in note 10.2 to the condensed interim financial information.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
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	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
----- (Rupees) -----			
7 DEPOSITS, PREPAYMENTS AND OTHER RECEIVABLES			
Deposits		471,635	304,698
Prepayments			
Registration fee		1,318,516	869,830
Insurance		1,084,300	2,479,006
Others		2,932,900	2,404,177
		5,335,716	5,753,013
Other receivables			
Advisory fee receivable on account of Discretionary Portfolio management		17,880,092	18,490,242
Others		503,321	144,083
		18,383,413	18,634,325
		24,190,764	24,692,036
8 SHORT-TERM INVESTMENTS			
At fair value through profit or loss - related parties	8.1	306,413,719	388,799,299
Available-for-sale investments	8.2	418,612,690	368,911,874
		725,026,409	757,711,173

8.1 At fair value through profit or loss

Name of the Investee Fund	As at July 01, 2016	Purchases / bonus / right	Redemptions / sale	As at December 31, 2016	As at December 31, 2016			As at June 30, 2016		
					(Un-audited)			(Audited)		
					Carrying value	Market value	Unrealised appreciation	Carrying value	Market value	Unrealised appreciation
----- (Number of units) -----					----- (Rupees) -----					
MCB Cash Management Optimizer	-	2,628,207	-	2,628,207	267,274,549	270,575,719	3,301,170	-	-	-
MCB Pakistan Asset Allocation Fund	974,696	-	974,696	-	-	-	-	75,921,934	77,055,309	1,133,375
MCB Pakistan Sovereign Fund	5,859,850	-	5,199,850	660,000	35,152,366	35,838,000	685,634	311,568,194	311,743,990	175,796
					302,426,915	306,413,719	3,986,804	387,490,128	388,799,299	1,309,171

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
----- (Rupees) -----			
8.2 Available-for-sale investments			
Investment in units of mutual funds - related parties			
	8.3	273,407,739	167,398,815
Investments in Government Securities			
Pakistan Investment Bonds	8.4	-	102,057,759
Market Treasury Bills	8.5	145,204,951	99,455,300
		418,612,690	368,911,874

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

8.3 Investment in units of mutual funds

Name of the Investee Fund	As at July 01, 2016	Purchases during the period	Bonus units issued	Redemptions	As at December 31, 2016	As at December 31, 2016			As at June 30, 2016		
						Un-audited			Audited		
						Carrying value	Market value	Unrealised appreciation	Carrying value	Market value	Unrealised appreciation
Number of units						Rupees					
MCB Pakistan Stock Market Fund	1,922,136	515,739	-	-	2,437,875	223,637,030	273,407,739	49,770,709	153,492,504	167,398,815	13,906,311
						223,637,030	273,407,739	49,770,709	153,492,504	167,398,815	13,906,311

8.4 Pakistan Investment Bonds

Particulars	Face Value				As at December 31, 2016			As at June 30, 2016		
	As at July 01, 2016	Purchased during the period	Disposed during the period	As at December 31, 2016	Un-audited			Audited		
					Carrying Value	Market value	Unrealised appreciation on re-measurement of	Carrying Value	Market value	Unrealised appreciation on re-measurement of
Rupees										
GOP - PIB - 18-July-2013 to 18-July-2016	101,800,000	-	101,800,000	-	-	-	-	101,871,106	102,057,759	186,653
								101,871,106	102,057,759	186,653

8.5 Treasury Bills

Particulars	Face Value				As at December 31, 2016			As at June 30, 2016		
	As at July 01, 2016	Purchased during the period	Disposed during the period	As at December 31, 2016	Un-audited			Audited		
					Carrying Value	Market value	Unrealised diminution	Carrying Value	Market value	Unrealised appreciation
Rupees										
GOP M.T-Bills - 12 months - 21-july-16 - 20-july-17	-	150,000,000	-	150,000,000	145,467,033	145,204,951	(262,082)	-	-	-
GOP M.T-Bills - 12 months - 06-Aug-15 - 04-Aug-16	100,000,000	-	100,000,000	-	-	-	-	99,396,128	99,455,300	59,172
					145,467,033	145,204,951	(262,082)	99,396,128	99,455,300	59,172

8.5.1 Market treasury bills carry effective interest rate 5.84% (June 30, 2016 : 5.88%) per annum.

9 TAXATION - NET

Income tax refundable includes assessed refunds for the tax years 2008, 2009, 2010 and 2011. The income tax returns upto the tax year 2016 have been filed under the self assessment scheme and are deemed to be finalised under section 120 of the Income Tax Ordinance, 2001.

	Note	(Unaudited) December 31, 2016	(Audited) June 30, 2016
----- (Rupees) -----			
10 TRADE AND OTHER PAYABLES			
Accrued expenses		78,472,733	83,278,062
Workers Welfare Fund	10.1	18,050,288	29,905,142
Withholding tax payable		1,841,024	4,639,559
Indirect taxes and duties payable	10.2	417,705,138	421,369,247
Payable to facilitators/distributors		39,509,572	33,387,448
Unclaimed dividend		4,100,261	3,942,935
Others		121,064	881,816
		559,800,080	577,404,209

10.1 Worker's welfare fund

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

During the current period, 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 during the period. 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. 17.921 million with effect from July 01, 2014. Moreover, the management has decided not to reverse WWF amounting to Rs. 5.10 million which have been already paid to Tax Authority until the said amount is refunded back.

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10.2 Federal excise duty payable on remuneration of the management company

As per the requirements of the Finance Act, 2013, Federal Excise Duty (FED) at the rate of 16% on the remuneration of the Management Company has been applied effective 13 June 2013. The Management Company is of the view that since the remuneration is already subject to the provincial sales tax, further levy of FED may result in double taxation, which does not appear to be the spirit of law.

The matter has been collectively taken up by the Management Company jointly with other Asset Management Companies together with their respective Collective Investment Schemes through their trustees, through a Constitutional Petition filed in the Honorable Sindh High Court (SHC) on 4 September 2013 challenging the levy of FED. The Sindh High Court in its decision dated 16 July 2016 maintained the previous order passed against other constitutional petition whereby levy of FED has been declared to be 'Ultra Vires' the Constitution. The Deputy Commissioner Inland Revenue has filed an appeal against the said SHC order in the Honorable Supreme Court of Pakistan and thus previous balance of FED amounting to Rs. 399.62 million has not been reversed.

	Un-audited			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----	----- (Rupees) -----
11 MANAGEMENT FEE / INVESTMENT ADVISORY FEE				
From Collective Investment Schemes - related parties				
MCB Cash Management Optimizer	22,685,982	40,430,969	13,662,196	18,964,589
MCB Pakistan Asset Allocation Fund	27,307,050	42,548,840	12,745,502	22,296,002
MCB DCF Income Fund	59,545,402	129,089,765	31,125,894	66,931,940
MCB Islamic Income Fund	3,780,457	5,234,619	2,139,457	2,354,829
MCB Pakistan Sovereign Fund	29,159,177	49,095,614	10,644,807	29,347,815
Pakistan Capital Market Fund	7,194,973	10,632,777	3,644,123	5,454,117
Pakistan Cash Management Fund	4,960,703	6,240,905	2,488,640	2,850,900
Pakistan Income Enhancement Fund	21,300,048	23,632,901	10,135,605	13,382,227
Pakistan Income Fund	9,263,885	12,221,491	4,726,535	6,337,829
Pakistan International Element Islamic Asset Allocation Fund	10,757,004	11,232,233	5,527,789	5,649,928
MCB Pakistan Stock Market Fund	104,279,056	91,223,343	55,474,431	47,323,646
MCB Pakistan Islamic Stock Fund	14,888,962	10,017,964	8,029,811	5,078,382
Pakistan Sarmaya Mahfooz Fund	3,532,121	4,717,953	1,632,105	2,306,311
MCB Pakistan Frequent Payout Fund	6,510,187	691,068	3,863,769	691,068
Alhamra Active Asset Allocation Fund	45,890	-	45,890	-
	325,210,897	437,010,442	165,886,554	228,969,583
Pension schemes - related parties				
Pakistan Pension Fund	4,763,656	9,294,101	(205,090)	4,739,697
Pakistan Islamic Pension Fund	10,400,010	4,536,198	8,113,693	2,286,187
	15,163,666	13,830,299	7,908,603	7,025,884
Investment advisory fee from discretionary portfolio management	11.1 340,374,563	450,840,741	173,795,157	235,995,467
	11.2 17,427,688	16,598,105	9,168,800	8,882,119
	357,802,251	467,438,846	182,963,957	244,877,586
Less: Indirect taxes and duties on management fee				
Sindh sales tax	(41,163,091)	(57,404,771)	(21,048,951)	(30,072,686)
Federal excise duty	-	(56,556,424)	-	(29,628,262)
	316,639,160	353,477,651	161,915,006	185,176,638

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

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

12 ADMINISTRATIVE EXPENSES	Unaudited			
	Half year ended		Quarter ended	
	December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
	----- (Rupees) -----		----- (Rupees) -----	
Salaries, allowances and other benefits	94,152,793	90,285,462	51,715,621	46,008,566
Legal and professional charges	6,632,896	8,399,655	3,543,692	5,037,245
Travelling and conveyance charges	1,269,180	1,625,540	277,720	946,580
Rent, utilities, repairs and maintenance	27,471,646	26,235,159	14,420,912	13,548,238
Office supplies	360,442	264,244	245,210	176,221
Auditors' remuneration	1,300,000	900,000	600,000	400,000
Directors' meeting fee	1,700,000	425,000	600,000	200,000
Insurance	686,544	715,645	314,554	329,152
Depreciation	4,971,221	4,849,188	2,587,742	2,451,469
Amortisation	2,134,101	1,695,077	1,428,433	760,661
Stamp duty and taxes	18,450	32,000	18,450	32,000
Registrar fee	330,082	321,279	247,668	171,810
Printing and stationery	1,351,213	2,169,302	544,352	1,064,240
Telephone expenses	2,496,018	1,818,053	1,210,097	839,923
Entertainment expenses	1,038,033	950,239	694,089	334,099
Books, periodicals and subscription	4,794,634	4,748,479	2,702,697	3,153,709
Miscellaneous expenses	17,050	110,834	6,300	40,984
	<u>150,724,304</u>	<u>145,545,156</u>	<u>81,157,538</u>	<u>75,494,897</u>

12.1 The SECP vide S.R.O No. 1160 (1) / 2015 dated November 25, 2015 introduced amendments in the NBFC Regulations. As a result of these amendments, the management company may charge fees and expenses pertaining to registrar services, accounting, operations and valuation services, related to Collective Investment Schemes (CISs) upto a maximum of 0.1% of average annual net assets of the scheme. Accordingly, expenses amounting to Rs 18,811,948 have been charged by the Company to the respective CISs under its management.

13 This includes an amount of Rs. 19.8 million in respect of refund of front end load charged to the investors

14 This includes Rs. 14.442 million which represents reversal of WWF as more fully explained in note 10.1.

**15 NET UNREALISED APPRECIATION ON
RE-MEASUREMENT OF INVESTMENTS
CLASSIFIED AS 'AVAILABLE-FOR-SALE'**

		(Unaudited) December 31, 2016	(Audited) June 30, 2016
	Note	----- (Rupees) -----	
Long-term Investments:			
Market value of investments		538,793,095	456,022,751
Less: carrying value of investments		(210,900,280)	(210,900,280)
	5.1	<u>327,892,815</u>	245,122,471
Less: net unrealised appreciation in fair value of investments at the beginning of the period		(245,122,471)	(212,547,010)
Add: amount realised on redemption		-	4,970,219
		<u>82,770,344</u>	37,545,680
Short-term Investments:			
Market value of investments		418,612,690	368,911,874
Less: carrying value of investments		(369,104,063)	(354,759,738)
	8.3 & 8.5	<u>49,508,627</u>	14,152,136
Less: net unrealised appreciation in fair value of investments at the beginning of the period		(14,152,136)	(11,696,092)
Add: amount realised on redemption		268,490	45,087
		<u>35,624,981</u>	2,501,131
		<u>118,395,325</u>	<u>40,046,811</u>

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016

16 CONTINGENCIES AND COMMITMENTS

16.1 Contingencies

- 16.1.1 On 20 June 2014, the Punjab Revenue Authority issued a show cause notice to the Company to pay Sales Tax on management fee earned in Punjab under the Punjab Sales Tax on Services Act, 2012 with effect from 22 May 2013.

The Management Company jointly with other Asset Management Companies through the trustees of their Collective Investment Schemes challenged the above notice vide a petition filed on 8 July 2014 in the Sindh High Court (SHC). The SHC has ordered suspension of the show cause notice in its order dated 10 July 2014 till the date of the next hearing of appeals. The management is expecting no outflow of economic resources in this respect as the payments relating to sales tax have already been made to the Sindh Revenue Board and in case decision is made against the Company, the same is required to be settled between the two authorities.

- 16.1.2 The Additional Commissioner Inland Revenue (ACIR) issued a notice to the Company under section 122(5A) of the Income Tax Ordinance, 2001 vide letter No.Addl.CIR/AR-A/Z-III/LTU/2014-15 dated 14 November 2014 relating to Tax year 2013. The ACIR was of the view that the deemed assessment order for the tax year 2013 was erroneous and was prejudicial to the interest of revenue necessitating amendment of assessment. The ACIR passed an order under section 122(5A) of the Income Tax Ordinance, 2001 dated 28 August 2015 after making certain additions/disallowances in the profit and loss account and created a demand of Rs.39.38 million. These additions/disallowances mainly pertained to apportionment of expenses, management fee/processing fee and related income sharing, workers welfare fund, etc. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) against the above order and has also filed a constitution petition for a stay of demand. An amount of Rs.13.50 million has been paid under the protest to the taxation authorities. However, no provision has been made in these financial statements against the above order as the management and the tax advisor of the Company are confident that good grounds exist to contest the additions/disallowances made by ACIR at the appellate forums and these additions are not maintainable. The potential tax liability in this respect amounts to Rs 39.38 million.

- 16.1.3 On 29 February 2016, the Deputy Commissioner Inland Revenue (DCIR) passed an order under section 122(1) of the Income Tax Ordinance, 2001 relating to the tax year 2010 of MCB AMC making certain additions / disallowances in the return filed by the Company. The assessing officer adjusted the impact of disallowances and reduced the amount refundable in respect of that tax year to Rs. 1.947 million. The Company filed an appeal before the Commissioner Inland Revenue (Appeals) [CIR(A)] against the said order. Subsequently, the Company again received a notice of demand amounting to Rs 0.980 million on 4 May 2016 from the Additional Commissioner Inland Revenue (ACIR) against which it filed an appeal before the CIR(A) which is pending adjudication. As at 31 December 2016, no provision has been made in these financial statements in respect of these orders as the management is confident that the Company has good grounds to contest the amendments made by the tax authorities.

- 16.1.4 The Commissioner Specialised Companies Division of the SECP passed an order dated 5 May 2016 against the Company pursuant to a show cause notice dated 24 March 2016 on a complaint filed by an investor. The investor alleged that the front end load was wrongly charged to him amounting to Rs. 297,540.

The Company submitted detailed response to the show cause notice and after proceedings held on the case, the SECP imposed an aggregate fine of Rs. 500,000 and instructed the Company to refund the amount of front end load charged to the investor. The Company has filed an appeal with the SECP which has been admitted for hearing. The Company has not recorded any provision in the financial statements based on the opinion of legal counsel that the matter will be settled in favor of the Company.

17 RUNNING FINANCE

During the previous year, the Company obtained a short-term finance facility under mark-up arrangement with MCB Bank Limited (a related party) amounting to Rs 500 million (2016: Rs 500 million). The facility carried mark-up at one month KIBOR+0.5% (2016: KIBOR+0.5%) per annum. The facility was secured against pledge of government securities and will expire on May 31, 2017.

18 TRANSACTIONS WITH RELATED PARTIES

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

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended	
	December 31, 2016	December 31, 2015
	----- (Rupees) -----	
18.1 Transactions with related parties during the period		
MCB BANK LIMITED		
Profit on bank deposits	419,422	804,465
Dividend paid	64,674,344	64,674,344
Branch sharing expenses	1,895,026	1,863,960
Reimbursement of expenses	5,500,000	5,500,000
Commission on distribution of units	24,830,314	33,432,650
Financial charges	236,731	40,525
ADAMJEE LIFE ASSURANCE COMPANY LIMITED		
Investment advisory fee	12,647,520	9,188,264
ADAMJEE INSURANCE COMPANY LIMITED		
Amount paid against insurance	867,169	1,067,694
Dividend paid	-	1,518,720
NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT.) LTD.		
Rent expense	1,045,768	-
MCB FINANCIAL SERVICES LIMITED		
Reimbursement of expenses	8,720	704,034
Trustee fee	1,200,000	1,200,000
MCB DCF INCOME FUND		
Management Fee	52,695,046	97,617,790
Share of sales load	84,008	27,843
Reimbursement of expenses	3,513,003	1,277,051
MCB PAKISTAN ASSET ALLOCATION FUND		
Management fee	24,165,531	32,175,469
Share of sales load	137,222	110,974
Investment in units	-	118,151,955
Redemption of units	85,500,519	43,000,000
Reimbursement of expenses	1,208,275	328,947
MCB CASH MANAGEMENT OPTIMIZER		
Management fee	20,076,090	30,573,933
Investment in units	750,743,078	207,740,000
Redemption of units	485,590,525	235,907,459
Reimbursement of expenses	3,209,530	731,589
MCB ISLAMIC INCOME FUND		
Management Fee	3,345,537	3,958,423
Share of sales load	41,072	12,276
Shariah fee paid on behalf of the fund	450,000	107,058
Reimbursement of expenses	512,809	107,805

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended	
	December 31, 2016	December 31, 2015
	----- (Rupees) -----	
MCB PAKISTAN STOCK MARKET FUND		
Management fee	92,282,350	68,983,169
Share of sales load	1,404,019	418,486
Investment in units	133,010,661	19,980,209
Redemption of units	75,000,000	-
Amount received against conversion cost	544,939	1,135,912
Reimbursement of expenses	4,614,118	685,842
PAKISTAN INCOME FUND		
Management fee	8,198,128	9,241,902
Share of sales load	87,201	5,164
Reimbursement of expenses	546,542	121,578
MCB PAKISTAN SOVEREIGN FUND		
Management fee	25,804,581	37,126,145
Share of sales load	58,746	5,332
Investment in units	124,986,422	527,000,000
Redemption of units	404,311,831	249,276,715
Reimbursement of expenses	3,658,286	913,432
PAKISTAN CAPITAL MARKET FUND		
Management fee	6,367,233	8,040,515
Share of sales load	85,805	75,378
Reimbursement of expenses	318,362	78,666
MCB PAKISTAN ISLAMIC STOCK FUND		
Management fee	13,176,073	7,575,593
Share of sales load	262,529	24,612
Amount received against conversion cost	562,733	1,520,031
Reimbursement of expenses	658,832	71,866
Shariah fee paid on behalf of the fund	450,000	68,295
PAKISTAN PENSION FUND		
Management fee	9,203,549	7,028,207
Share of sales load	291,143	70,441
Redemption of units	-	10,000,000
Contribution made to Pension fund on behalf of the employees	1,520,607	1,947,992
PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND		
Management fee	9,519,473	8,493,824
Share of sales load	460,606	58,814
Reimbursement of expenses	487,292	78,806
Shariah fee paid on behalf of the fund	450,000	82,543
PAKISTAN ISLAMIC PENSION FUND		
Management fee	4,215,625	3,430,277
Share of sales load	69,862	24,407
Redemption of units	-	5,000,000
Contribution made to Pension fund on behalf of the employees	3,443,210	2,153,102
PAKISTAN SARMAVA MAHFOOZ FUND (Matured)		
Management fee	3,125,771	3,567,720
Reimbursement of expenses	312,577	65,792

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	Half year ended	
	December 31, 2016	December 31, 2015
	----- (Rupees) -----	
PAKISTAN CASH MANAGEMENT FUND		
Management fee	4,390,003	4,719,378
Bank charges on behalf of the fund	-	106,094
Reimbursement of expenses	725,672	-
PAKISTAN INCOME ENHANCEMENT FUND		
Management fee	18,849,600	17,871,220
Share of sales load	50,981	23,357
Reimbursement of expenses	1,256,641	253,097
MCB PAKISTAN FREQUENT PAYOUT FUND		
Management fee	5,761,227	522,586
Share of sales load	20,613	826,103
Payment made on behalf of fund	-	2,660,000
Formation Cost	3,393,077	733,077
Reimbursement of expenses	537,089	38,405
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I		
Management fee	40,611	-
Payment made on behalf of fund	5,000,000	-
Reimbursement of expenses	5,431	-
ARIF HABIB CORPORATION LIMITED		
Dividend paid	37,912,292	37,912,292
DIRECTORS & EXECUTIVES		
Dividend paid	314,696	817,461
KEY MANAGEMENT PERSONNEL		
Remuneration and other benefits	11,648,428	11,139,885
EXECUTIVE DIRECTOR		
Remuneration and other benefits	7,963,489	9,772,829
	(Unaudited)	(Audited)
	December 31,	June 30,
	2016	2016
18.2	----- (Rupees) -----	
Amount outstanding as at period end		
MCB BANK LIMITED		
Bank balance	15,007,583	7,482,397
Receivable as share of expense	-	-
Other payable	20,464,790	13,946,339
Commission payable	5,173,999	11,165,177
Mark-up receivable	61,891	7,363
ADAMJEE LIFE ASSURANCE COMPANY LIMITED		
Advisory fee receivable	10,056,022	9,714,575
NISHAT REAL ESTATE DEVELOPMENT COMPANY (PVT.) LTD.		
Receivable against electricity bill	6,722	-
MCB FINANCIAL SERVICES LIMITED		
Payable against monthly reimbursement	8,720	50,864
Payable against trustee fee	226,000	228,000

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees) -----	
MCB DCF INCOME FUND		
Remuneration receivable	109,399,955	110,432,577
Sales load receivable	27,953,976	28,104,927
Other receivables	2,500	-
Receivable against reimbursement of expenses	609,954	666,991
MCB PAKISTAN ASSET ALLOCATION FUND		
Remuneration receivable	23,301,713	24,262,791
Sales load receivable	16,247,304	16,459,752
Closing balance of investment in units	-	77,055,309
Receivable against reimbursement of expenses	189,115	738,964
MCB CASH MANAGEMENT OPTIMIZER		
Remuneration receivable	59,199,372	57,517,457
Closing balance of investment in units	270,575,667	-
Receivable against reimbursement of expenses	668,212	395,024
MCB ISLAMIC INCOME FUND		
Remuneration receivable	9,377,609	9,068,897
Sales load receivable	3,030,742	3,084,457
Receivable against reimbursement of expenses	87,576	78,967
Receivable against shariah fee	75,000	75,000
MCB PAKISTAN STOCK MARKET FUND		
Remuneration receivable	74,875,711	69,351,934
Sales load receivable	5,225,068	5,177,743
Other receivable	19,067	35,642
Conversion cost receivable	-	544,939
Closing balance of investment in units	273,407,739	167,398,815
Receivable against reimbursement of expenses	889,441	639,634
PAKISTAN INCOME FUND		
Remuneration receivable	10,883,891	10,787,558
Sales load receivable	242,403	241,109
Receivable against reimbursement of expenses	98,795	92,295
MCB PAKISTAN SOVEREIGN FUND		
Remuneration receivable	31,956,678	30,370,047
Sales load receivable	4,213,429	5,216,815
Closing balance of investment in units	35,838,000	311,743,990
Receivable against reimbursement of expenses	381,065	1,041,313
PAKISTAN CAPITAL MARKET FUND		
Remuneration receivable	7,150,421	7,065,616
Sales load receivable	425,947	483,611
Receivable against reimbursement of expenses	56,551	52,133

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees) -----	
MCB PAKISTAN ISLAMIC STOCK FUND		
Remuneration receivable	8,489,244	7,765,643
Sales load receivable	748,004	245,968
Conversion cost receivable	-	562,733
Receivable against reimbursement of expenses	124,013	91,163
Receivable against shariah fee	75,000	154,641
PAKISTAN PENSION FUND		
Remuneration receivable	7,876,884	7,487,260
Sales load receivable	1,135,565	1,020,012
Closing balance of investment in units	259,671,786	221,228,697
PAKISTAN INTERNATIONAL ELEMENT ISLAMIC ASSET ALLOCATION FUND		
Remuneration receivable	7,940,207	7,474,952
Sales load receivable	1,717,860	1,536,861
Back end load receivable	45,307	
Receivable against reimbursement of expenses	92,182	203,829
Receivable against shariah fee	75,000	295,723
PAKISTAN ISLAMIC PENSION FUND		
Remuneration receivable	3,902,014	3,732,980
Sales load receivable	224,025	468,855
Closing balance of investment in units	279,121,309	234,794,054
PAKISTAN SARMAVA MAHFOOZ FUND (Matured)		
Remuneration receivable	2,335,803	2,572,474
Sales load receivable	2,307,278	2,307,278
Receivable against reimbursement of expenses	144,434	54,779
PAKISTAN CASH MANAGEMENT FUND		
Remuneration receivable	12,825,212	12,748,418
Receivable against reimbursement of expenses	128,409	114,533
PAKISTAN INCOME ENHANCEMENT FUND		
Remuneration receivable	19,811,124	21,983,795
Sales load receivable	4,746,438	6,076,712
Other receivable	3,530	3,530
Receivable against reimbursement of expenses	190,105	315,421
MCB PAKISTAN FREQUENT PAYOUT FUND		
Remuneration receivable	2,228,398	1,738,568
Sales load receivable	7,619,617	6,308,937
Formation cost	-	733,077
Other receivable	-	2,795,028
Receivable against reimbursement of expenses including SST thereon	100,532	61,763

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	(Unaudited) December 31, 2016	(Audited) June 30, 2016
	----- (Rupees) -----	
AL-HAMRA ISLAMIC ACTIVE ASSET ALLOCATION FUND PLAN-I		
Management fee	45,890	-
Sales load receivable	183,339	-
Formation Cost	5,000,000	-
Other receivable	30,000	-
Receivable against reimbursement of expenses	5,431	-

19 FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

Fair value of investments is determined as follows:

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

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

19.1 Fair value hierarchy

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

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

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

	As at December 31, 2016			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Assets				
Investment in units of open-end collective investment schemes and pension funds				
Available-for-sale investments	812,200,834	145,204,951	-	957,405,785
Investments at fair value through profit or loss	306,413,719	-	-	306,413,719
	<u>1,118,614,553</u>	<u>145,204,951</u>	<u>-</u>	<u>1,263,819,504</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2016**

	As at June 30, 2016			
	Level 1	Level 2	Level 3	Total
	----- (Rupees) -----			
Assets				
Investment in units of open-end collective investment schemes and pension funds				
Available-for-sale investments	623,421,566	201,513,059	-	824,934,625
Investments at fair value through profit or loss	388,799,299	-	-	388,799,299
	<u>1,012,220,865</u>	<u>201,513,059</u>	<u>-</u>	<u>1,213,733,924</u>

20 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

The Board of Directors in its meeting held on February 02, 2017 has declared an interim cash dividend of Rs. 1.5 per share (December 31, 2015: Rs. 1.5 per share declared on February 4, 2016). These condensed interim financial information do not include the effect of this appropriation which will be accounted for in the financial statements of the company for the year ending June 30, 2016.

21 CORRESPONDING FIGURES

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

22 DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on February 02, 2017 by the Board of Directors of the Company.

23 GENERAL

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

Chief Executive Officer

Director

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