MCB PAKISTAN SOVEREIGN FUND

Condensed Interim Financial Information for the Half Year Ended December 31, 2021

DRAFT INDEPENDENT AUDITORS' REVIEW REPORT
TO THE UNIT HOLDERS OF MCB PAKISTAN SOVEREIGN FUND

Introduction

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Sovereign Fund** ("the Fund") as at December 31, 2021, and the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim statement of movement in unit holders' fund, condensed interim statement of cash flow and notes to the condensed interim financial information (here-in-after referred to as the 'condensed interim financial information'), for the half year ended December 31, 2021. The Board of the Management Company (MCB Arif Habib Savings and Investments Limited) is responsible for the preparation and presentation of this condensed interim financial information in accordance with approved accounting and reporting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this condensed interim financial information based on our review.

Scope of Review

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

Conclusion

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

Other Matters

The figures of the condensed interim financial information for the quarters ended December 31, 2021 and 2020 have not been reviewed, as we are required to review only the cumulative figures for the half year ended December 31, 2021.

The engagement partner on the review resulting in this independent auditor's review report is Hena Sadiq.

Chartered Accountants

Place: Karachi
Dated:

UDIN:__________

MCB PAKISTAN SOVEREIGN FUND
CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES
AS AT DECEMBER 31, 2021

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
		(Rupees in '000)	
ASSETS			
Bank balances	5	**735,594**	776,052
Investments	6	**639,958**	569,132
Profit receivable		**11,515**	7,790
Advances, prepayments and other receivables		**2,858**	3,024
Total assets		**1,389,925**	1,355,998
LIABILITIES			
Payable to MCB-Arif Habib Savings and Investments Limited – Management Company	7	**1,284**	1,018
Payable to Central Depository Company of Pakistan Limited - Trustee		**38**	47
Payable to Securities and Exchange Commission of Pakistan		**74**	252
Payable against purchase of investments		**645,623**	569,468
Dividend payable		**1**	1
Accrued expenses and other liabilities	8	**35,032**	47,282
Total liabilities		**682,052**	618,068
NET ASSETS		**707,873**	737,930
UNIT HOLDERS' FUND (AS PER STATEMENT ATTACHED)		**707,873**	737,930
CONTINGENCIES AND COMMITMENTS	9		
		(Number of units)	
NUMBER OF UNITS IN ISSUE		**12,661,495**	13,838,923
		(Rupees)	
NET ASSETS VALUE PER UNIT		**55.91**	53.32

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)

Chief Executive Officer **Chief Financial Officer** **Director**

MCB PAKISTAN SOVEREIGN FUND
CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

	Note	Half year ended December 31, 2021	Half year ended December 31, 2020	Quarter ended December 31, 2021	Quarter ended December 31, 2020
		---------- (Rupees in '000)			----------
INCOME					
Income from government securities		27,694	58,009	14,217	27,041
Capital (loss) on sale of investments - net		(863)	(9,650)	(1,158)	(4,810)
Profit on bank deposits		3,815	3,619	1,755	1,366
Unrealised (diminution) / appreciation in fair value of investments classified 'at fair value through profit or loss' - net	6.1.4	(519)	(365)	(670)	1,264
Total income		30,127	51,613	14,144	24,861
EXPENSES					
Remuneration of MCB-Arif Habib Savings and Investments Limited – Management Company	7.1	3,644	6,761	1,753	3,002
Sindh Sales Tax on remuneration of the Management Company		474	879	228	390
Remuneration of the Central Depository Company of Pakistan Limited - Trustee		224	509	100	238
Sindh Sales Tax on remuneration of Trustee		29	66	13	31
Securities and Exchange Commission of Pakistan - annual fee		75	156	37	73
Allocated expenses	7.3	373	782	183	365
Marketing and selling expenses	7.4	1,470	1,095	511	511
Brokerage expenses		66	216	28	90
Legal and professional expenses		1,429	68	(6)	34
Auditors' remuneration		277	277	139	139
Other expenses		398	371	179	176
Total expenses		8,459	11,180	3,165	5,049
Net income from operating activities		21,668	40,433	10,979	19,812
Reversal/ (provision) against Sindh Workers' Welfare Fund	8.1	13,419	(809)	-	(396)
Net income for the period before taxation		35,087	39,624	10,979	19,416
Taxation	10	-	-	-	-
Net income for the period after taxation		35,087	39,624	10,979	19,416
Allocation of net income for the period:					
Net income for the period after taxation		35,087	39,624	10,979	19,416
Income already paid on units redeemed		(3,017)	(4,728)	(1,752)	(2,769)
		32,070	34,896	9,227	16,647
Accounting income available for distribution:					
- Relating to capital gains		-	-		
- Excluding capital gains		32,070	34,896		
		32,070	34,896		
Earnings per unit	11				

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)

Chief Executive Officer	**Chief Financial Officer**	**Director**

MCB PAKISTAN SOVEREIGN FUND
CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2021

	Half year ended December 31,		Quarter ended December 31,	
	2021	2020	**2021**	2020
	---- (Rupees in '000) ----			
Net income for the period after taxation	**35,087**	39,624	**10,979**	**19,416**
Other comprehensive income for the period	-	-	-	-
Total comprehensive income for the period	**35,087**	39,624	**10,979**	19,416

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)

Chief Executive Officer	**Chief Financial Officer**	**Director**

MCB PAKISTAN SOVEREIGN FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

	Half year ended December 31,					
	2021			2020		
	(Rupees in '000)					
	Capital Value	Accumulated loss	Total	Capital Value	Accumulated loss	Total
Net assets at beginning of the period	**1,445,573**	**(707,643)**	**737,930**	2,523,996	(707,606)	1,816,390
Issue of 5,367,427 units (2020: 2,766,931 units):						
- Capital value (at net asset value per unit at the beginning of the period)	**286,191**	**-**	**286,191**	147,394	-	147,394
- Element of income	**9,537**	**-**	**9,537**	1,043	-	1,043
	295,728	**-**	**295,728**	148,437	-	148,437
Redemption of 6,544,855 units (2020: 11,203,152 units):						
- Capital value (at net asset value per unit at the beginning of the period)	**(348,972)**	**-**	**(348,972)**	(596,792)	-	(596,792)
- Amount paid out of element of Income relating to net income for the period after taxation	**(8,884)**	**(3,017)**	**(11,901)**	(497)	(4,728)	(5,225)
	(357,856)	**(3,017)**	**(360,873)**	(597,289)	(4,728)	(602,017)
Total comprehensive income for the period	**-**	**35,087**	**35,087**	-	39,624	39,624
Net assets as at the end of the period	**1,383,445**	**(675,573)**	**707,873**	2,075,144	(672,710)	1,402,434

	2021	2020
Undistributed loss brought forward		
- Realised	**(707,648)**	(708,640)
- Unrealised	**5**	1,034
	(707,643)	(707,606)
Accounting income available for distribution		
- Relating to capital gains	**-**	-
- Excluding capital gains	**32,070**	34,896
	32,070	34,896
	(675,573)	(672,710)
Undistributed loss carried forward		
- Realised	**(675,054)**	(672,345)
- Unrealised	**(519)**	(365)
	(675,573)	(672,710)
	--- (Rupees) ---	**--- (Rupees) ---**
Net assets value per unit as at beginning of the period	**53.32**	53.27
Net assets value per unit as at end of the period	**55.91**	54.65

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)

Chief Executive Officer **Chief Financial Officer** **Director**

MCB PAKISTAN SOVEREIGN FUND
CONDENSED INTERIM STATEMENT OF CASH FLOW (UN-AUDITED)
FOR THE HALF YEAR ENDED DECEMBER 31, 2021

	Half year ended December 31,	
	2021	2020
	-------- (Rupees in '000) --------	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income for the period before taxation	**35,087**	39,624
Adjustments for non cash and other items:		
Unrealised diminution / (appreciation) in fair value of investments classified 'at fair value through profit or loss' - net	**519**	365
(Reversal)/ provision for Sindh Workers' Welfare Fund	**(13,419)**	809
	22,187	40,798
(Increase) / decrease in assets		
Investments	**(71,345)**	(767,585)
Profit receivable	**(3,725)**	(11,034)
Advances and prepayments	**166**	1,868
	(74,904)	(776,751)
(Decrease) / Increase in liabilities		
Payable to MCB-Arif Habib Savings and Investments Limited – Management Company	**267**	(1,123)
Payable to Central Depository Company of Pakistan Limited - Trustee	**(9)**	(69)
Payable to Securities and Exchange Commission of Pakistan	**(178)**	(289)
Payable against purchase of investments	**76,155**	2,608,910
Accrued expenses and other liabilities	**1,168**	(3,567)
	77,403	2,603,862
Net cash generated from operating activities	**24,687**	1,867,909
CASH FLOWS FROM FINANCING ACTIVITIES		
Receipts from issuance of units	**295,728**	148,437
Payments on redemption of units	**(360,873)**	(602,017)
Net cash used in financing activities	**(65,145)**	(453,580)
Net (decrease)/ increase in cash and cash equivalents during the period	**(40,458)**	1,414,329
Cash and cash equivalents at beginning of the period	**776,052**	1,352,825
	735,594	2,767,154

The annexed notes from 1 to 16 form an integral part of this condensed interim financial information.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)

Chief Executive Officer **Chief Financial Officer** **Director**

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited as Management Company and Habib Metropolitan Bank Limited as Trustee. Pursuant to the merger of MCB Asset Management Limited and Arif Habib Investment Limited, the name of the Management Company has been changed from Arif Habib Investments Limited to MCB–Arif Habib Savings and Investments Limited with effect from June 27, 2011. During the year ended June 30, 2010, Habib Metropolitan Bank Limited retired as the Trustee of the Scheme and Central Depository Company of Pakistan Limited (CDC) was appointed as the new Trustee with effect from November 23, 2009. The Trust Deed was executed on December 24, 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on January 07, 2003 in accordance with the Asset Management Companies Rules, 1995, [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules). The Trust Act, 1882 has been repealed due to the promulgation of Provincial Trust Act namely "Sindh Trusts Act, 2020" (the Sindh Trust Act) as empowered under the Eighteenth Amendment to the Constitution of Pakistan. The Fund is required to be registered under the Sindh Trust Act. Accordingly, on August 13, 2021 the above-mentioned Trust Deed has been registered under the Sindh Trust Act.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the NBFC Rules through certificate of registration issued by SECP. The registered office of the Management Company situated at 2nd Floor, Adamjee House, I.I. Chundrigar Road, Karachi, Pakistan.

The Board of Directors have approved that the Fund should be categorised as 'Income Scheme' as per the categories defined by the Securities and Exchange Commission of Pakistan Circular 7 of 2009 dated March 06, 2009. The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from the Funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited.

MCB Pakistan Sovereign Fund has a policy of investing in Pakistani rupee denominated debt securities issued by the Government of Pakistan, reverse repurchase transaction in government securities and any otherwise un-invested funds in deposits with banks and financial institutions. In addition, the Fund can also invest in sub-scheme of the Fund.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM1 dated October 06, 2021 to the Management Company and has assigned stability rating of "AA-(f)" dated September 9, 2021 to the Fund.

The title to the assets of the Fund are held in the name of Central Depository Company of Pakistan Limited, as the Trustee of the Fund.

2. BASIS OF PREPARATION

Statement of compliance

This condensed interim financial information has 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 Standards) issued by the International Accounting Standards Board (IASB) as notified under the Companies Act, 2017;

- Provisions of and directives issued under the Companies Act 2017 along with part VIIIA of the repealed Companies ordinance, 1984 ; and

- the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the requirements of the Trust Deed.

Where provisions of and directives issued under the Companies Act, 2017, part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and requirements of the Trust Deed differ from the IFRS Standards, the provisions of and directives issued under the Companies Act, 2017, Part VIIIA of the repealed Companies Ordinance 1984, the NBFC Rules, the NBFC Regulations and the requirements of the Trust Deed have been followed.

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 Fund for the year ended June 30, 2021.

In compliance with Schedule V of the Non-Banking Finance Companies and Notified Entities Regulations, 2008, the directors of the Management Company hereby declare that this condensed interim financial information gives a true and fair view of the state of the Fund's affairs as at December 31, 2021.

This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

3. SIGNIFICANT ACCOUNTING POLICIES AND KEY ACCOUNTING ESTIMATES AND JUDGEMENTS

The accounting policies and methods of computation adopted in preparation of this condensed interim financial information are same as those applied in preparation of audited financial statements of the Fund as at and for the year ended June 30, 2021.

The preparation of this condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing this condensed interim financial information, significant judgments made by management in applying accounting policies and the key sources of estimation and uncertainty were the same as those that applied to the audited financial statements as at and for the year ended June 30, 2021.

Amendments to certain existing standards and interpretations on approved accounting standards effective during the period were not relevant to the Fund's operations and did not have any impact on the accounting policies of the Fund and therefore not disclosed in this condensed interim financial information.

4. FINANCIAL RISK MANAGEMENT

The Fund's risk management objective and policies are consistent with those disclosed in the annual audited financial statements of the Fund as at and for the year ended June 30, 2021.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
		-------- (Rupees in '000) --------	
5. BANK BALANCES			
Savings accounts	5.1	**731,444**	775,093
Current accounts	5.2	**4,150**	959
		735,594	776,052

5.1 These carry mark-up at rates ranging between 5.50% to 12.30% (June 30, 2021: 5.50 to 11.25%) per annum and include bank balance of Rs. 0.022 million (June 30, 2021: Rs.0.025 million) maintained with MCB Bank Limited (a related party) which carries profit rate 5.50% (June 30, 2021: 5.50%) per annum .

5.2 These include a balance of Rs. 4.14 million (June 30, 2021: Rs.0.95 million) held with MCB Bank Limited (a related party).

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
		------ (Rupees in '000) ------	
6. INVESTMENTS			
Financial assets 'at fair value through profit or loss' Government Securities	6.1		
Pakistan Investment Bonds	6.1.1	**5,343**	5,643
Pakistan Investment Bonds - Floating Rate Bond (FRB)	6.1.2	**586,771**	191,092
Market Treasury Bills	6.1.3	**47,844**	372,397
		639,958	569,132

6.1 **Financial assets 'at fair value through profit or loss'**

6.1.1 **Government securities - Pakistan Investment Bonds**

Name of security	Date of issue	Face value				As at December 31, 2021			Market value	
		As at July 01, 2021	Purchased during the period	Sold / matured during the period	As at December 31, 2021	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)							%	
Pakistan Investment Bonds - 3 years	August 20, 2020	-	100,000	100,000	-	-	-	-	-	-
Pakistan Investment Bonds - 5 years	July 12, 2020	-	200,000	200,000	-	-	-	-	-	-
	October 15, 2020	-	400,000	400,000	-	-	-	-	-	-
Pakistan Investment Bonds - 20 years	June 10, 2004	5,500	-	-	5,500	5,619	5,343	(276)	0.75	0.83
As at December 31, 2021						**5,619**	**5,343**	**(276)**		
As at June 30, 2021						5,779	5,643	(136)		

6.1.2 **Government securities - Pakistan Investment Bonds FRB**

Name of security	Date of issue	Face value				As at December 31, 2021			Market value	
		As at July 01, 2021	Purchased during the period	Sold / matured during the period	As at December 31, 2021	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)							%	
Pakistan Investment Bonds FRB - 10 years	July 25, 2019	100,000	300,000	300,000	100,000	100,389	100,390	2	14.18	15.69
	August 22, 2019	90,000	180,000	180,000	90,000	90,358	90,351	(7)	12.76	14.12
Pakistan Investment Bonds FRB - 5 years	May 6, 2021	-	450,000	350,000	100,000	98,067	98,040	(27)	13.85	15.32
Pakistan Investment Bonds FRB - 3 years	October 22, 2020	-	150,000	150,000	-	-	-	-	-	-
Pakistan Investment Bonds FRB - 2 years	August 26, 2021	-	900,000	600,000	300,000	298,192	297,990	(202)	42.10	46.56
As at December 31, 2021						**587,006**	**586,771**	**(235)**		
As at June 30, 2021						190,969	191,092	123		

6.1.3 Government securities - Market Treasury Bills

Tenor	Date of issue	Face value				As at December 31, 2021			Market value	
		As at July 01, 2021	Purchased during the period	Sold / matured during the period	As at December 31, 2021	Carrying value	Market value	Appreciation / (diminution)	As a percentage of net assets	As a percentage of total investments
		(Rupees in '000)							%	
3 Months										
3 months	April 22, 2021	175,000	-	175,000	-	-	-	-	-	-
3 months	May 20, 2021	-	125,000	125,000	-	-	-	-	-	-
3 months	June 3, 2021	200,000	-	200,000	-	-	-	-	-	-
3 months	July 2, 2021	-	520,000	520,000	-	-	-	-	-	-
3 months	July 15, 2021	-	900,000	900,000	-	-	-	-	-	-
3 months	July 29, 2021	-	500,000	500,000	-	-	-	-	-	-
3 months	August 12, 2021	-	500,000	500,000	-	-	-	-	-	-
3 months	August 26, 2021	-	500,000	500,000	-	-	-	-	-	-
3 months	September 9, 2021	-	500,000	500,000	-	-	-	-	-	-
3 months	October 7, 2021	-	950,000	950,000	-	-	-	-	-	-
3 months	October 21, 2021	-	75,000	75,000	-	-	-	-	-	-
6 Months										
6 months	March 25, 2021	-	175,000	175,000	-	-	-	-	-	-
6 months	April 8, 2021	-	100,000	100,000	-	-	-	-	-	-
6 months	May 6, 2021	-	300,000	300,000	-	-	-	-	-	-
6 months	June 3, 2021	-	500,000	500,000	-	-	-	-	-	-
6 months	July 2, 2021	-	575,000	575,000	-	-	-	-	-	-
6 months	July 15, 2021	-	500,000	500,000	-	-	-	-	-	-
6 months	July 29, 2021	-	500,000	500,000	-	-	-	-	-	-
6 months	August 12, 2021	-	500,000	500,000	-	-	-	-	-	-
6 months	August 26, 2021	-	650,000	650,000	-	-	-	-	-	-
6 months	September 9, 2021	-	1,250,000	1,250,000	-	-	-	-	-	-
6 months	December 2, 2021	-	150,000	100,000	50,000	47,851	47,844	(8)	6.76	7.48
6 months	December 16, 2021	-	500,000	500,000	-	-	-	-	-	-
As at December 31, 2021						**47,851**	**47,844**	**(8)**		
As at June 30, 2021						372,379	372,397	18		

		Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
			-------- (Rupees in '000) --------	
6.1.4	**Net unrealised (diminution) / appreciation on revaluation of investments at fair value through profit or loss'**			
	Market value of investments	6.1.1, 6.1.2, & 6.1.3	**639,958**	569,132
	Carrying value of investments	6.1.1, 6.1.2, & 6.1.3	**(640,476)**	(569,127)
			(519)	5

7. PAYABLE TO MCB-ARIF HABIB SAVINGS AND INVESTMENTS LIMITED – MANAGEMENT COMPANY

Management remuneration payable	7.1	**631**	588
Sindh Sales Tax on management remuneration payable	7.2	**82**	76
Payable against allocated expenses	7.3	**60**	63
Payable against marketing and selling expenses	7.4	**511**	291
		1,284	1,018

7.1 As per regulation 61 of the NBFC and Notified Entities Regulations, 2008, the Management Company is entitled to a remuneration equal to an amount not exceeding the maximum rate of the management fee as disclosed in the Offering Document subject to the total expense ratio limit. As per offering document, the Management Company can charge management fee up to 10% of the gross earnings of the fund, calculated on daily basis. Provided that fund is subject to a minimum fee of 0.5% of the average daily net asset of the scheme. The remuneration is payable to the Management Company monthly in arrears.

Subsequent to the period end, with effect from January 07, 2022, the minimum fee of 0.25% has been removed through supplement offering document dated December 31, 2021.

7.2 Sales tax on management remuneration has been charged at the rate of 13% (2020: 13%).

7.3 In accordance with Regulation 60 of the NBFC Regulations, the Management Company is entitled to charge fees and expenses related to registrar services, accounting, operation and valuation services, related to a Collective Investment Scheme (CIS).

Until June 19, 2019 there was a maximum cap of 0.1% of the average annual net assets of the scheme or actual whichever is less, for allocation of such expense to the Fund. However, the SECP vide its SRO 639 dated June 20, 2019 removed the maximum cap of 0.1%.

The Management Company has allocated expenses to the Fund based on its discretion subject to not being higher than actual expense.

7.4 The SECP has allowed the Asset Management Companies to charge selling and marketing expenses to all categories of open-end mutual funds (except fund of funds) initially for a period of three years (i.e. from January 1, 2017 till December 31, 2019). The maximum cap of selling and marketing expense was 0.4% per annum of the average daily net assets of the Fund or actual expenses whichever is lower.

In the financial year 2019-20, the SECP through its circular 11 dated July 5, 2019 has revised the conditions for charging of selling and marketing expenses to a Fund. As per the revised guidelines, the maximum cap of 0.4% per annum has been lifted and now the asset management company can charge selling and marketing expenses to the Fund based on its discretion subject to the approval of Board of Directors and not being higher than actual expenses..Furthermore, the time limit of three years has also been removed in the revised conditions.

	Note	(Un-audited) December 31, 2021	(Audited) June 30, 2021
		-------- (Rupees in '000) --------	
8. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision against Sindh Workers' Welfare Fund	8.1	-	13,419
Provision for Federal Excise Duty and related tax on	8.2		
- Management fee		**29,028**	29,028
- Sales load		**4,170**	4,170
Withholding tax payable		**64**	167
Auditors' remuneration payable		**278**	382
Brokerage payable		**25**	12
Others		**1,467**	104
		35,032	47,282

8.1 Provision against Sindh Workers' Welfare Fund (SWWF)

During the period, SRB through its letter dated August 12, 2021 has intimated MUFAP that the mutual funds do not qualify as Financial Institutions / Industrial Establishments and are therefore, not liable to pay the SWWF contributions. Accordingly all Asset Management Companies, in consultation with SECP, reversed the cumulative provision for SWWF, on August 13, 2021.

8.2 Federal Excise Duty (FED) and related tax payable

There is no change in the status of the appeal filed by the Federal Board of Revenue in the Honorable Supreme Court of Pakistan in respect of levy of Federal Excise Duty as reported in the audited annual financial statements of the Fund for the year ended June 30, 2021. Had the said provision for FED not been recorded in this condensed interim financial information of the Fund, the net asset value of the Fund as at December 31, 2021 would have been higher by Rs. 2.62 per unit (June 30, 2021: Re. 2.4 per unit).

9. CONTINGENCIES AND COMMITMENTS

As reported in the annual audited financial statements of the Fund for the year ended June 30, 2021, an ex-parte income tax order was passed for Tax Year 2015 through which a tax demand of Rs. 309,896,010 was raised by the concerned Additional Commissioner Inland Revenue (ACIR) of Federal Board of Revenue (FBR) by rejecting the Fund's claim for income tax exemption under Clause (99) contained in Part I of the Second Schedule to the Income Tax Ordinance, 2001.

During the period under review, the Assessment Order as issued by ACIR has been remanded back by Commisioner Appeals (CIRA). Remand Back Order u/s 129(1) of ITO, 2001 was issued on 25 Nov 2021, after which no Order has yet been issued from FBR.

10. TAXATION

The Fund's income is exempt from income tax as per Clause (99) of part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90% of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders by way of cash dividend. Furthermore, as per Regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the Fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders in cash. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance, 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in cash in the manner as explained above, accordingly, no provision for taxation has been made in this condensed interim financial information.

11. EARNINGS PER UNIT

Earnings per unit based on cumulative weighted average units for the period has not been disclosed as in the opinion of the Management Company the determination of the same is not practicable.

12. TOTAL EXPENSE RATIO

The total expense ratio (annualized) of the Fund from July 1, 2021 to December 31, 2021 is 2.26% (December 31, 2020: 1.53%) and this includes 0.16% (December 31, 2020: 0.24%) representing government levy, Sindh Worker's Welfare Fund, SECP fee etc.

13. TRANSACTIONS WITH RELATED PARTIES / CONNECTED PERSONS

Related parties / connected persons of the Fund include MCB-Arif Habib Savings and Investments Limited (being the Management Company) and its related entities, the Central Depository Company of Pakistan Limited (being the Trustee of the Fund), other collective investment schemes and pension schemes managed by the Management Company, any person or trust beneficially owning (directly or indirectly) ten percent or more of the capital of the Management Company or the net assets of the Fund and directors, key management personnel and officers of the Management Company.

Transactions with related parties / connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

Remuneration to the Management Company and Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed of the Fund.

13.1 **Transactions during the period with related parties / connected persons in units of the Fund:**

	For the half year ended December 31, 2021							
	As at July 01, 2021	**Issued for cash**	**Redeemed**	**As at December 31, 2021**	**As at July 01, 2021**	**Issued for cash**	**Redeemed**	**As at December 31, 2021**
	Units				(Rupees in '000)			
DG Khan Cement Company Limited	7	-	-	7	-	-	-	-
MCB-Arif Habib Savings and Investments Limited	-	1,802,776	1,802,776	-	-	100,000	100,054	-
Security General Insurance Co. Ltd. Employees Provident Fund Trust	105,833	-	-	105,833	5,643	-	-	5,917
Key management personnel	2,849	77,732	80,581	1	152	4,273	4,438	-
Unitholders holding 10% or more	2,067,358	-	-	2,067,358	110,232	-	-	115,586

	For the half year ended December 31, 2020							
	As at July 01, 2020	Issued for cash	Redeemed	As at December 31, 2020	As at July 01, 2020	Issued for cash	Redeemed	As at December 31, 2020
	Units				(Rupees in '000)			
DG Khan Cement Company Limited	7	-	-	7	-	-	-	-
Mandate under discretionary portfolio services	-	768,112	765,946	2,166	-	41,084	41,168	118
Key management personnel	-	431	375	56	-	23	20	3
Security General Insurance Co. Ltd. Employees Provident Fund Trust	100,244	-	-	100,244	5,340	-	-	5,478
MCB-Arif Habib Savings and Investments Limited	-	10,956	10,956	-	-	590	591	-
Unitholders holding 10% or more	3,742,411	-	-	3,742,411	199,358	-	-	204,523

13.2 **Details of transactions with the related parties / connected persons during the period are as follows:**

	(Unaudited) December 31, 2021	(Unaudited) December 31, 2020
	------ (Rupees in '000) ------	
MCB-Arif Habib Savings and Investments Limited - Management Company		
Remuneration of the Management Company including indirect taxes	**4,118**	7,640
Expenses allocated by the Management Company	**373**	782
Marketing and Selling expenses	**1,470**	1,095
Central Depository Company of Pakistan Limited - Trustee		
Remuneration including indirect taxes	**253**	575
MCB Bank Limited - Parent of the Management Company		
Mark-up on bank deposits	**5**	46
Bank charges	**8**	35
Purchase of securities - face value Nil million (2020: 1,250 million)	**-**	1,213,999

13.3 **Balances outstanding at period / year end:**

	(Unaudited) December 31, 2021	(Audited) June 30, 2021
	------ (Rupees in '000) ------	
MCB-Arif Habib Savings and Investments Limited - 'Management Company		
Remuneration payable to Management Company	**631**	588
Sales tax payable on remuneration to Management Company	**82**	76
Expenses allocated by Management Company	**60**	63
Selling and marketing payable	**511**	291
Central Depository Company of Pakistan Limited - Trustee		
Remuneration payable to Trustee	**34**	42
Sales tax payable on remuneration to Trustee	**4**	5
MCB Bank Limited - Parent of the Management Company		
Bank balance	**4,164**	975

The amount disclosed represents the amount of brokerage paid / payable to related party / connected persons and not the purchase or sale value of securities transacted through them. The purchase or sale value has not been treated as transactions with related party / connected persons as the ultimate counter-parties are not related party / connected persons.

14. FAIR VALUE OF FINANCIAL INSTRUMENTS

IFRS 13 - 'Fair Value Measurement' establishes a single source of guidance under IFRS for all fair value measurements and disclosures about fair value measurement where such measurements are required as permitted by other IFRSs. It defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price).

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the close of trading i.e. period end date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value as these are short term in nature.

The following table shows financial instruments recognized at fair value based on:

Level 1: quoted prices in active markets for identical assets or liabilities;

Level 2: those involving inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: those with inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table show the carrying amount and fair values of financial assets and financial liabilities including the levels in the fair value hierarchy.

	December 31, 2021 (Un-audited)						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortized cost	Total	Level 1	Level 2	Level 3	Total
	---------- (Rupees in '000) ----------						
Financial assets measured at fair value							
Pakistan Investment Bonds	5,343	-	5,343	-	5,343	-	5,343
Pakistan Investment Bonds - Floating Rate Bond	586,771	-	586,771	-	586,771	-	586,771
Market treasury bills	47,844	-	47,844	-	47,844	-	47,844
	639,958	-	639,958	-	639,958	-	639,958
Financial assets not measured at fair value							
Bank balances	-	735,594	735,594				
Profit receivable	-	11,515	11,515				
Other receivables	-	1	1				
	-	747,110	747,110				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	1,284	1,284				
Payable to the Trustee	-	38	38				
Payable against purchase of investments	-	645,623	645,623				
Accrued and other liabilities	-	1,770	1,770				
	-	648,715	648,715				

	June 30, 2021 (Audited)						
	Carrying amount			Fair value			
	Fair value through profit or loss	Amortised cost	Total	Level 1	Level 2	Level 3	Total
	---------- (Rupees in '000) ----------						
Financial assets measured at fair value							
Market treasury bills	372,397	-	372,397	-	372,397	-	372,397
Pakistan investment bonds FRB	191,092	-	191,092	-	191,092	-	191,092
Pakistan investment bonds	5,643	-	5,643	-	5,643	-	5,643
	569,132	-	569,132	-	569,132	-	569,132
Financial assets not measured at fair value							
Bank balances	-	776,052	776,052				
Profit receivable	-	7,790	7,790				
	-	783,842	783,842				
Financial liabilities not measured at fair value							
Payable to the Management Company	-	942	942				
Payable to the Trustee	-	42	42				
Accrued and other liabilities	-	498	498				
	-	1,482	1,482				

During the period ended December 31, 2021, there were no transfers between levels of fair value measurements, and no transfer into and out of level 3 fair value measurements.

15 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of better presentation and comparison.

16. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on ___________________ by the Board of Directors of the Management Company.

For MCB-Arif Habib Savings and Investments Limited
(Management Company)

Chief Executive Officer	**Chief Financial Officer**	**Director**