



MCB-ARIF HABIB  
Savings and Investments Limited

AM2  
BY PACRA

# HALF YEAR REPORT

DECEMBER  
**2017**  
(UNAUDITED)

Half Year Report for Funds Under Management of  
MCB-Arif Habib Savings and Investments Limited

# **MCB PAKISTAN SOVEREIGN FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings & Investments Limited 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Muhammad 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 Qamar Beg	Chairman Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Mirza Qamar Beg Mr. Nasim Beg	Chairman Member Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Muhammad Saqib Saleem	Chairman Member Member Member Member
<b>Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Operating Officer &amp; Company Secretary</b>	Mr. Muhammad Asif Mehdi Rizvi	
<b>Chief Financial Officer</b>	Mr. Abdul Basit	
<b>Trustee</b>	<b>Central Depository Company of Pakistan Ltd.</b> CDC House, 99-B, Block 'B' S.M.C.H.S Main Shahra-e-Faisal Karachi Tel: (92-21) 111-111-500 Fax: (92-21) 34326053 Web: www.cdcPakistan.com	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Faysal Bank Limited United Bank Limited Allied Bank Limited Bank Al-Habib Limited JS Bank Limited Habib Bank Limited National Bank of Pakistan Zarai Traqiati Bank Limited Bank Al-Falah	
<b>Auditors</b>	<b>Ernst &amp; Young Ford Rhodes Sidat Hyder</b> Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box 15541 Karachi, Sindh-75530, Pakistan.	
<b>Legal Advisor</b>	<b>Bawaney &amp; Partners</b> 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area Phase VI, D.H.A., Karachi	
<b>Transfer Agent</b>	<b>MCB-Arif Habib Savings &amp; Investments Limited</b> 24th Floor, Centre Point, Off Shaheed-e-Millat Expressway Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	<b>AM2++</b> Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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**Dear Investor,**

On behalf of the Board of Directors, We are pleased to present **MCB Pakistan Sovereign Fund's** accounts reviewed for the half year ended December 31st, 2017.

## **ECONOMY AND MONEY MARKET OVERVIEW**

Economic scorecard continued to remain mixed with real side still indicating strong growth momentum, while external side conversely showing the vulnerabilities. Growth momentum of the economy continued during the period with LSM growing at strong pace of ~6% YoY, bolstered by growth in Steel, Auto and Food & Beverages sector. Add to this the agricultural sector growth (being reflected in cotton crop, sugar crop and wheat crop bumper numbers coming in), economy looks on track to approach 6% target GDP growth for FY18.

Provisional fiscal deficit for the 1HFY18 was recorded at ~2.5% of GDP, despite commendable tax collection. Tax Authorities managed to collect PKR 1.3 trillion during the period, showing an impressive growth of 20% compared to same period last year.

CPI for the first half averaged at a moderate level of 3.75% YoY, supported by lower oil prices, stable food prices and a higher base effect. However, as of late it had started to inch up as witnessed by Dec'17 figure of 4.57%, owing to rising oil prices and depreciating currency. As a result of the stable indicators, the monetary policy committee has to date maintained its status quo approach.

On the external side, trade deficit widened to alarming levels. The current account deficit (CAD) for the first 6 months clocked in at USD ~7.5 billion (up 59% YoY). Trade deficit for 1HFY18 reached USD 14.3 billion up ~26% YoY. Import registered an increase of ~19% during the 1HFY18, propelled by petroleum imports and an expansionary fiscal and monetary policy. On the flip side, the impact of textile package started to gain some momentum as textile exports grew by ~8% during 1HFY18, though insufficient to bridge the gap created by rising imports. Resultantly, the foreign exchange reserves declined by USD ~1.2 billion, despite USD 2.5 billion floated in international bond markets. PKR also depreciated by ~5% against USD indicating a much need attempt from government to address widening external account.

Money markets took clue from the rising inflation expectations as against all tenors, 3-months t-bills remained the most preferred play. Meanwhile, longer tenor PIBs remained out of favor with very low participation from financial institutions & banks in auctions.

## **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 4.93% as against its benchmark return of 5.90%.

The Fund increased its duration to 102 days as at December 31, 2017 from 65 days as at June 30, 2017.

At period-end, the fund was 40.8% invested in Treasury Bills, 57.1% in cash and bank deposits, and 1.7% in PIBs.

The Net Assets of the Fund as at December 31, 2017 stood at Rs. 964 million as compared to Rs. 1,351 million as at June 30, 2017 registering a decrease of 28.64%.

The Net Asset Value (NAV) per unit as at December 31, 2017 was Rs.54.45 as compared to opening NAV of Rs. 53.13 per unit as at June 30, 2017 registering an increase of Rs. 1.32 per unit.

## **FUTURE OUTLOOK**

Challenges continue to increase on both economic and political front and require comprehensive plan and undeterred focus to consolidate the improvements seen in last few years. Given the current pace of trade deficit and weak performance on remittances, we expect current account deficit to approach USD 17 billion for the FY18 which in our estimates indicate an additional financing need of near USD 5 billion.

Nevertheless, market valuations remain at a very attractive level as indicated by risk premiums (difference between earnings yield and 10-year interest rates) which are at historically high level, suggesting market to remain very cheap. Furthermore, KSE-100 trades at a forward P/E of 9.71x, at a steep discount of 40% from its emerging market peer group. Enduring themes that should play out over the medium-term regardless of the political situation include (i) PKR depreciation and higher interest rates (ii) CPEC and continued GoP support for the textiles sector that would encourage exports. While markets may react to overall happening events scheduled particularly in 2HFY18, we consider any weakness in the market as an opportunity to build long term exposures.

On the fixed income front, market is expected to remain cautious on back of a precarious external account position along with an uptick in inflation trajectory. Visibility on economic front, in particular to balance of payments, would guide further participation towards fixed income markets.

## REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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### ACKNOWLEDGMENT

The Board is thankful to the Fund's valued investors, the Securities and Exchange Commission of Pakistan and the Trustees of the Fund for their continued cooperation and support. The Directors also appreciate the efforts put in by the management team.

On behalf of Directors,



Muhammad Saqib Saleem  
Chief Executive Officer  
February 23, 2018



Nasim Beg  
Vice Chairman / Director

31 دسمبر 2017 کو Net اثاثہ جاتی قدر (NAV) فی یونٹ 54.45 روپے تھی، جو 30 جون 2017 کی ابتدائی NAV (53.13 روپے فی یونٹ) کے مقابلے میں 1.32 روپے فی یونٹ اضافہ ہے۔

### مستقبل کی صورتحال

معاشی اور سیاسی، دونوں رخ پر مشکلات میں اضافہ ہو رہا ہے۔ چنانچہ حکومت کی مسلسل اور غیر متزلزل توجہ درکار ہے تاکہ گزشتہ کچھ برسوں میں جو بہتری دیکھی گئی ان کو منظم کیا جاسکے۔ تجارتی خسارے کی موجودہ رفتار اور ترسیل زر کی کمزور کارکردگی کو دیکھتے ہوئے ہم سمجھتے ہیں کہ مالی سال 2018ء میں کرنٹ اکاؤنٹ کا خسارہ 17 بلین ڈالر تک پہنچ جائے گا جس سے ہمارے اندازے کے مطابق تقریباً 5 بلین اضافی مالیت کی فراہمی کی ضرورت کی طرف اشارہ ہو رہا ہے۔

تاہم بازار کی قدر بہت پُرکشش سطح پر قائم ہیں، جیسا کہ ریسک پریمز (آمدنی کے حجم اور دس سالہ انٹریسٹ کی شرحوں کے درمیان فرق) سے اشارہ ہوتا ہے، جواب تک کی اونچی ترین سطح پر ہیں، اور اس سے اندازہ ہوتا ہے کہ بازار بہت سستارہ گا۔ علاوہ ازیں، KSE-100 کی تجارت 9.71x کی فارورڈ P/E پر ہوئی جو اس کے اُبھرتے ہوئے مارکیٹ peer گروپ سے 40% بھرپور رعایت ہے۔ مستحکم پیش رفت میں (i) روپے کی قدر میں کمی اور انٹریسٹ کی اونچی شرحیں، اور (ii) CPEC اور ٹیکسٹائل کے شعبے کے لئے حکومت پاکستان کی مسلسل پشت پناہی (جن کی بدولت برآمدات کی حوصلہ افزائی ہوگی) شامل ہیں، جن کو سیاسی صورتحال کے قطع نظر درمیانی مدت سے سبقت لے جانا چاہئے۔ اگرچہ مجموعی سطح پر، اور خاص طور پر نصف آخر 2018 میں، طے شدہ واقعات کے عمل میں آنے پر مارکیٹ کا ردِ عمل ظاہر ہو سکتا ہے، ہم مارکیٹ کی کسی بھی کمزوری کو طویل المیعاد تجربات کا موقع سمجھتے ہیں۔

مقررہ آمدنی کی جہت میں توقع ہے کہ مارکیٹ خارجی اکاؤنٹ کی خطرناک صورتحال اور افراط زر کی سطح میں اضافے کی بنیاد پر محتاط رہے گی۔ معاشی رخ، خاص طور پر ادائیگیوں کے توازن کی واضح تصویر سے مقررہ آمدنی کی مارکیٹس میں مزید شرکت کی طرف راہنمائی ہوگی۔

### اظہار تشکر

بورڈ آف ڈائریکٹرز فنڈ کے گراں قدر سرمایہ کاروں، سکیورٹیز اینڈ ایکسچینج کمیشن آف پاکستان اور فنڈ کے Trustees کی مسلسل معاونت اور پشت پناہی کے لئے شکر گزار ہے۔ علاوہ ازیں، ڈائریکٹرز مینجمنٹ ٹیم کی کوششوں کو بھی خراج تحسین پیش کرتے ہیں۔



نسیم بیگ

وائس چیئرمین / ڈائریکٹر



محمد ثاقب سلیم

چیف ایگزیکٹو آفیسر

23 فروری 2018ء

## عزیز سرمایہ کار

بورڈ آف ڈائریکٹرز کی جانب سے ایم سی بی پاکستان Sovereign فنڈ کے 31 دسمبر 2017ء کو اختتام پذیر ہونے والے نصف سال کے اکاؤنٹس کا جائزہ پیش خدمت ہے۔

## معیشت اور بازار کا مجموعی جائزہ

معاشی اعداد و شمار میں ملاحجہ راجحان جاری رہا۔ حقیقی رُخ بدستور ترقی کی جانب اشارہ کر رہا ہے، جبکہ خارجی رُخ کمزوریوں کو ظاہر کر رہا ہے۔ دورانِ مدت معیشت کی ترقی تیز تر ہوتی رہی۔ اسٹیل، گاڑیوں اور اشیائے خورد و نوش کے شعبے کی ترقی کے باعث LSM نے YoY 6% کی بھرپور رفتار سے ترقی کی۔ علاوہ ازیں، زرعی شعبے کی ترقی کے باعث (جس کی عکاسی کپاس، چینی اور گندم کی فصل کے بھرپور اعداد و شمار میں ہوتی ہے) معیشت مالی سال 2018ء میں مجموعی ملکی پیداوار میں 6% ترقی کے ہدف کے حصول کی جانب گامزن نظر آ رہی ہے۔

پراونشل اقتصادی خسارے نصف اول 2018 قابلِ تحسین ٹیکس وصولی کے باوجود مجموعی ملکی پیداوار کا 2.5% تھا۔ ٹیکس ادارے دورانِ مدت 1.3 ٹریلین روپے جمع کر سکے، جو سالِ گزشتہ کی اسی مدت کے مقابلے میں 20% ترقی ہے۔

CPI کا اوسط برائے نصف اول YoY 3.75% کے درمیانے درجے پر تھا، جس کی پشت پناہی تیل کی پست قیمتوں، اشیائے خورد و نوش کی مستحکم قیمتوں اور اونچے base effect سے ہوئی۔ تاہم حال ہی میں اس میں اضافہ شروع ہو گیا تھا جیسا کہ دسمبر 2017ء کو 4.57% سے ظاہر ہے، جس کی وجوہات تیل کی بڑھتی ہوئی قیمتیں اور روپے کی گھٹتی ہوئی قدر ہیں۔ مستحکم اشاروں کے نتیجے میں مانیٹری پالیسی کمیٹی کا حال اپنے سابقہ لائحہ عمل پر قائم ہے۔

خارجی رُخ پر تجارتی خسارے میں تشویشناک سطح تک اضافہ ہو گیا۔ کرنٹ اکاؤنٹ کا خسارہ (CAD) برائے ابتدائی 6 ماہ 7.5 بلین ڈالر تھا (YoY 59% اضافہ)۔ پہلی ششماہی 2018ء میں تجارتی خسارہ 14.3 ڈالر تک پہنچ گیا، جو YoY 26% اضافہ ہے۔ نصف اول 2018ء کے دوران درآمدات میں 19% اضافہ ہوا جس کے اسباب پٹرولیم کی درآمدات اور وسعت پذیر اقتصادی اور مالیاتی پالیسی ہیں۔ دوسری جانب ٹیکسٹائل سیکٹر کے اثرات نے کچھ رفتار پکڑی اور 2018ء کی پہلی ششماہی کے دوران ٹیکسٹائل کی درآمدات میں 8% اضافہ ہوا، لیکن یہ اضافہ بڑھتی ہوئی درآمدات سے پیدا ہونے والی خلیج کو پُر کرنے کے لئے ناکافی تھا۔ نتیجتاً، غیر ملکی زرمبادلہ کے ذخائر میں 1.2 بلین ڈالر کمی ہوئی، اگرچہ بین الاقوامی بانڈ مارکیٹ میں 2.5 بلین ڈالر کی گردش ہوئی۔ علاوہ ازیں، امریکی ڈالر کے مقابلے میں روپے کی قدر میں 5% کمی ہوئی، جس سے وسعت پذیر خارجی اکاؤنٹ پر حکومتی توجہ کی ضرورت کی عکاسی ہوتی ہے۔

افراط زر میں تمام tenors کے مقابلے میں اضافے کی توقعات بازار زر کے لئے اشارہ تھا۔ سہ ماہی بلز کو سب سے زیادہ ترجیح کیا گیا، جبکہ طویل المیعاد پاکستان انویسٹمنٹ بانڈز (PIBs) سب سے کم مقبول رہے کیونکہ ان کو نیلامی میں مالیاتی اداروں اور بینکوں سے بہت محدود پذیرائی حاصل ہوئی۔

## فنڈ کی کارکردگی

زیر جائزہ مدت کے دوران فنڈ کا ایک سال پر محیط منافع 4.93% تھا، جبکہ مقررہ معیار 5.90% تھا۔

فنڈ نے اپنی مدت کو بڑھا کر 31 دسمبر 2017 کو 102 دن کر لیا، جو 30 جون 2017 کو 65 دن تھی۔

اختتامِ مدت پر فنڈ کی سرمایہ کاری 40.8% ٹریژری بلز میں، 57.1% نقد اور بینک ڈپازٹس میں، اور 1.7% پاکستان انویسٹمنٹ بانڈز (PIBs) میں تھی۔

31 دسمبر 2017 کو فنڈ کے net اثاثہ جات 964 ملین روپے تھے، جو 30 جون 2017 (1,351 ملین روپے) کے مقابلے میں 28.64% کم ہے۔

## TRUSTEE REPORT TO THE UNIT HOLDERS

### CENTRAL DEPOSITORY COMPANY OF PAKISTAN LIMITED

#### Head Office:

CDC House, 99-B, Block 'B',  
S.M.C.H.S. Main Shahra-e-Faisal,  
Karachi - 74400, Pakistan.  
Tel: (92-21) 111-111-500  
Fax: (92-21) 34326020 - 23  
URL: [www.cdcpakistan.com](http://www.cdcpakistan.com)  
Email: [info@cdcpak.com](mailto:info@cdcpak.com)



### TRUSTEE REPORT TO THE UNIT HOLDERS

#### MCB PAKISTAN SOVEREIGN FUND

#### Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Pakistan Sovereign Fund (the Fund) are of the opinion that MCB-Arif Habib Savings and Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2017 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

  
**Aftab Ahmed Diwan**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 22, 2018



## AUDITOR'S REPORT TO THE UNIT HOLDERS ON REVIEW OF CONDENSED INTERIM FINANCIAL INFORMATION



EY Ford Rhodes  
Chartered Accountants  
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### AUDITORS' REPORT TO THE UNIT HOLDERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

#### *Introduction*

We have reviewed the accompanying condensed interim statement of assets and liabilities of **MCB Pakistan Sovereign Fund** (the Fund) as at 31 December 2017, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund and notes to the accounts for the half year then ended (here-in-after referred to as "interim financial information"). Management Company is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review.

#### *Scope of Review*

We conducted our review in accordance with the International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of 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 interim financial information is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

Chartered Accountants

Engagement Partner: Shaikh Ahmed Salman

Date: February 26, 2018

Karachi

A member firm of Ernst & Young Global Limited

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2017

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balances with banks		968,823	1,321,761
Investments	5	721,244	1,025,054
Mark-up and other receivables		3,036	4,679
Advances and prepayments		2,826	2,961
<b>Total assets</b>		<u>1,695,929</u>	<u>2,354,455</u>
<b>LIABILITIES</b>			
Payable to the Management Company		696	1,395
Payable to the Trustee		144	217
Annual fee payable to the Securities and Exchange Commission of Pakistan (SECP)		443	3,949
Payable against purchase of investments		691,806	945,695
Accrued and other liabilities	6	39,305	51,814
<b>Total liabilities</b>		<u>732,394</u>	<u>1,003,070</u>
<b>NET ASSETS</b>		<u>963,535</u>	<u>1,351,385</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>963,535</u>	<u>1,351,385</u>
<b>Contingencies and commitments</b>	7		
		----- (Number of units) -----	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>17,695,534</u>	<u>25,435,698</u>
		----- (Rupees) -----	
<b>NET ASSETS VALUE PER UNIT</b>		<u>54.45</u>	<u>53.13</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017

	Note	Half year ended		Quarter ended	
		December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
		(Rupees in '000)			
<b>Income</b>					
Net (loss) / gain on sale of investments		(250)	(43,008)	(61)	2,851
Income from government securities		25,702	234,035	11,820	85,294
Mark-up on bank deposits		10,910	26,588	5,265	16,584
Net unrealised (loss) / gain on revaluation of investments 'at fair value through profit or loss - held-for-trading'	5.2	(23)	-	(58)	202
<b>Total income</b>		<b>36,339</b>	<b>217,615</b>	<b>16,966</b>	<b>104,931</b>
<b>Expenses</b>					
Remuneration of the Management Company		3,695	25,804	1,699	9,420
Sales tax on remuneration of the Management Company		480	3,355	220	1,225
Expenses allocated by the Management Company and related taxes		668	4,134	309	1,542
Remuneration of the Trustee		820	3,122	393	1,212
Sales tax on trustee fee		107	406	51	158
Annual fee to SECP		443	2,744	205	1,023
Auditors' remuneration		293	321	146	170
Brokerage expenses		77	1,432	12	568
Provision for Sindh Workers' Welfare Fund (SWWF)		589	-	277	-
Other expenses		297	528	52	161
<b>Total expenses</b>		<b>7,469</b>	<b>41,846</b>	<b>3,364</b>	<b>15,479</b>
<b>Net income for the period</b>		<b>28,870</b>	<b>175,769</b>	<b>13,602</b>	<b>89,452</b>
Net element of loss included in prices of units issued less those in units redeemed		-	(68,740)	-	(54,280)
<b>Net income for the period before taxation</b>		<b>28,870</b>	<b>107,029</b>	<b>13,602</b>	<b>35,172</b>
Taxation	8	-	-	-	-
<b>Net income for the period after taxation</b>		<b>28,870</b>	<b>107,029</b>	<b>13,602</b>	<b>35,172</b>
<i>Allocation of net income for the period:</i>					
Net income for the period after taxation		28,870		13,602	
Income already paid on units redeemed		(5,542)		(4,436)	
		<b>23,328</b>		<b>9,166</b>	
<i>Accounting income available for distribution:</i>					
- Relating to capital gains		-		-	
- Excluding capital gains		23,328		9,166	
		<b>23,328</b>		<b>9,166</b>	

## Earnings per unit

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The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2017**

	<u>Half year ended</u>		<u>Quarter ended</u>	
	<u>December 31, December 31,</u>		<u>December 31, December 31,</u>	
	2017	2016	2017	2016
	----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>	<b>28,870</b>	107,029	<b>13,602</b>	35,172
<b>Other comprehensive loss for the period:</b>				
<b>To be reclassified to profit or loss     account in subsequent periods</b>				
Net unrealised diminution on re-measurement of investments classified as 'available-for-sale'	<b>(561)</b>	(26,176)	<b>(592)</b>	(36,150)
	<u><b>(561)</b></u>	<u>(26,176)</u>	<u><b>(592)</b></u>	<u>(36,150)</u>
<b>Total comprehensive income for the period</b>	<u><b>28,309</b></u>	<u>80,853</u>	<u><b>13,010</b></u>	<u>(978)</u>

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended	
	December 31, 2017	December 31, 2016
Note	----- (Rupees in '000) -----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period before taxation	28,870	107,029
<b>Adjustments for:</b>		
Net unrealised loss on revaluation of investments 'at fair value through profit or loss - held-for-trading'	23	-
Net element of loss included in prices of units issued less those in units redeemed	-	68,740
	<u>28,893</u>	<u>175,769</u>
<b>Decrease / (increase) in assets</b>		
Investments	432,881	3,685,878
Mark-up and other receivables	1,643	(10,660)
Advances and prepayments	135	78
	<u>434,659</u>	<u>3,675,296</u>
<b>(Decrease) / increase in liabilities</b>		
Payable to the Management Company	(699)	(3,780)
Payable to the Trustee	(73)	(215)
Annual fee payable to SECP	(3,506)	(3,420)
Payable against purchase of investments	(253,889)	1,292,640
Payable against conversion of units	-	(2,769,378)
Accrued and other liabilities	(12,509)	12,161
	<u>(270,676)</u>	<u>(1,471,992)</u>
<b>Net cash generated from operating activities</b>	<u>192,876</u>	<u>2,379,073</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	81,958	3,175,455
Payments on redemption of units	(498,117)	(8,174,096)
<b>Net cash used in financing activities</b>	<u>(416,159)</u>	<u>(4,998,641)</u>
<b>Net decrease in cash and cash equivalents during the period</b>	<u>(223,283)</u>	<u>(2,619,568)</u>
Cash and cash equivalents at beginning of the period	1,670,848	6,138,583
<b>Cash and cash equivalents at end of the period</b>	<u>1,447,565</u>	<u>3,519,015</u>

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The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNITHOLDERS' FUND (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

	Half year ended December 31, 2017			December 31, 2016	
	(Rupees in '000)				
	Capital Value	Undistribut ed income / (loss)	Unrealized (diminution) / appreciation on AFS Investment	Total	Total
Net assets at beginning of the period	2,104,177	(753,347)	555	1,351,385	8,691,268
Issuance of 1,526,291 units (2016: 59,491,350 units)					
- Capital value (at net asset value per unit at the beginning of the period)	81,091	-	-	81,091	
- Element of Income	867	-	-	867	
Total proceeds on issuance of units	81,958	-	-	81,958	3,175,455
Redemption of 9,266,455 units (2016: 152,106,839 units)					
- Capital value (at net asset value per unit at the beginning of the period)	492,322	-	-	492,322	
- Amount paid out of element of income					
- Relating to 'Net income for the period after taxation'	-	5,542	-	5,542	
- Relating to 'Other comprehensive income for the period'	-	-	-	-	
- Refund / adjustment on units as element of loss	(253)	-	-	(253)	
Total payments on redemption of units	(492,575)	(5,542)	-	(498,117)	8,174,096
Element of loss and capital losses included in prices of units issued less those in units redeemed - net	-	-	-	-	68,740
Total comprehensive income for the period	-	28,870	(561)	28,309	80,853
Distribution during the period	-	-	-	-	-
Net income for the period less distribution	-	28,870	(561)	28,309	80,853
Net assets at end of the period	1,693,560	(730,019)	(6)	963,535	3,842,220
Undistributed loss brought forward comprising of:					
- Realised loss	(753,344)				(291,619)
- Unrealised (loss) / gain	(3)				348
	(753,347)				(291,271)
Accounting income available for distribution					
- Relating to capital losses	-				
- Excluding capital losses	23,328				
	23,328				
Net loss for the period after taxation	-				(192,097)
Element of loss and capital losses included in prices of units issued less those in units redeemed - amount representing unrealised loss	-				(299,126)
Distribution during the period	-				-
Undistributed loss carried forward	(730,019)				(782,494)
Undistributed loss carried forward comprising of:					
- Realised loss	(729,996)				(782,494)
- Unrealised loss	(23)				-
	(730,019)				(782,494)
				(Rupees)	(Rupees)
Net assets value per unit at beginning of the period				53.13	53.05
Net assets value per unit at end of the period				54.45	54.31

The annexed notes from 1 to 14 form an integral part of these condensed interim financial statements.

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

  
\_\_\_\_\_  
Chief Executive Officer

  
\_\_\_\_\_  
Chief Financial Officer

  
\_\_\_\_\_  
Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1** MCB Pakistan Sovereign Fund (the Fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL), as Management Company and Habib Metropolitan Bank Limited as Trustee. 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 (AMC Rules), [repealed by the Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003 (the NBFC Rules)].
- 1.2** 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.
- 1.3** 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 SECP approved the appointment of CDC as the Trustee in place of Habib Metropolitan Bank Limited and further approved the amendments to the Trust Deed vide its letter number SCD/NBFC-11/MF-RS/MSPF/981/2009 dated 3 November 2009. Accordingly, the Trust Deed of the Scheme was revised through a supplemental Deed executed between the Management Company, Habib Metropolitan Bank Limited and CDC.
- 1.4** 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 Investment Limited to MCB-Arif Habib Savings and Investments Limited.
- 1.5** 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 is situated at 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.6** 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.
- 1.7** 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 units are listed on the Pakistan Stock Exchange Limited.
- 1.8** The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2++ dated December 28, 2017 to the Management Company and has assigned stability rating of "AA-(f)" dated July 12, 2017 to the Fund. The Fund consists of a 'Perpetual' (the scheme). In addition, the Fund had also issued other sub-scheme which matured as follows:

Name of sub-scheme	Maturity date of sub-scheme
MetroBank - Pakistan Sovereign Fund - (December 2012)	December 31, 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	December 31, 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	December 31, 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	December 31, 2003

- 1.9** 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

- 2.1** These condensed interim financial statements for the half year ended December 31, 2017, have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', provisions of and directives issued under the repealed Companies Ordinance, 1984, the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by SECP. In case where requirements differ, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations and the directives issued by the SECP prevail.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

- 2.2** Effective 30 May 2017, the Companies Act, 2017 (the Act) has been promulgated, however, the Securities and Exchange Commission of Pakistan (SECP) vide its circular No. 23 of 2017 dated October 04, 2017 decided that the companies whose financial year closes on or before December 31, 2017 shall prepare their financial statements in accordance with the provisions of the repealed Companies Ordinance, 1984. Furthermore, the Institute of Chartered of Pakistan also issued clarification vide its circular dated 06 October 2018 which states the interim financial statements of companies for the periods ending on or before December 31, 2017 shall also be prepared in accordance with the provisions of the repealed Companies Ordinance, 1984.
- 2.3** These condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2017.
- 2.4** These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2017 and December 31, 2016 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.5** In compliance with schedule V of the NBFC Regulations the Directors of the Management Company, hereby declare that these condensed interim financial statements give a true and fair view of the state of the Fund's affairs as at December 31, 2017.
- 2.6** These condensed interim financial statements are presented in Pak rupees, which is the functional and presentation currency of the Fund. Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.

### **3. ACCOUNTING POLICIES AND ESTIMATES**

The accounting policies and methods of computation adopted in preparation of this condensed interim financial statements are same as those applied in preparation of financial statements of the Fund for the year ended June 30, 2017, except as follows:

#### **3.1 New / Revised Standards, Interpretations and Amendments**

The Fund has adopted the following standards and amendment to IFRSs which became effective for the current period:

##### **Standard or Interpretation**

IAS 7 Statement of Cash Flows - Disclosure Initiative - (Amendment)

IAS 12 Income Taxes - Recognition of Deferred Tax Assets for Unrealized losses (Amendments)

##### **Improvements to Accounting Standards Issued by the IASB**

IFRS 12 Disclosure of interests in Other Entities - Clarification of the scope of the disclosure Requirement

The adoption of the above standards, amendment and improvement to accounting standards did not have any effect on the condensed interim financial statements.

In addition to the above standards and interpretations, improvements to various accounting standards have also been issued by the IASB and are generally effective for current period. The Fund believes that such improvements to the standards do not have any impact on the Fund's financial statements for the period.

#### **3.2 Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed**

The Securities and Exchange Commission of Pakistan (SECP) through its SRO 756(I)/2017 dated August 03, 2017 has made certain amendments in the NBFC Regulations. The notification includes a definition and explanation relating to "element of income" and excludes the element of income from the expression "accounting income" as described in Regulation 63 (amount distributable to unit holders) of the NBFC Regulations. As per the notification, element of income represents the difference between net assets value per unit on the issuance or redemption date, as the case may be, of units and the net assets value per unit at the beginning of the relevant accounting period. Further, the Regulations also specify that element of income is a transaction of capital nature and the receipt and payment of element of income shall be taken to unit holders' fund. However, to maintain the same ex-dividend net asset value of all units outstanding on the accounting date, net element of income contributed on issue of units lying in unit holders fund will be refunded on units in the same proportion as dividend bears to accounting income available for distribution. Furthermore, the revised Regulations also require certain additional disclosures with respect to

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

'Income Statement' and 'Statement of Movement in Unit Holders' Fund', whereas disclosure with respect to 'Distribution Statement' has been deleted in the revised Regulations.

Previously, an equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' was created, in order to prevent the dilution of per unit income and distribution of income already paid out on redemption. The net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during the accounting period which pertained to unrealised appreciation / (diminution) held in the Unit Holder's Fund was recorded in a separate account and any amount remaining in this reserve account at the end of the accounting period (whether gain or loss) was included in the amount available for distribution to the unitholders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period was recognised in the Income Statement.

As required by IAS 8: 'Accounting Policies, Changes in Accounting Estimates and Errors', a change in accounting policy requires retrospective application as if that policy had always been applied. However, the Management Company has applied the above changes in accounting policy, including the additional disclosures requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund', prospectively from July 01, 2017 as required by SECP vide its S.R.O. No. 756(I) / 2017 dated August 03, 2017. Accordingly, corresponding figures have not been restated. The 'Distribution Statement' for the comparative period has not been presented as it has been deleted as a result of the amendments made in the NBFC Regulations the aforementioned SRO issued by the SECP.

Had the element of loss been recognised as per the previous accounting policy, the income of the Fund would have been lower by Rs.5.349 million. However, the change in accounting policy does not have any impact on the 'cash flow statement', the 'net assets attributable to the unit holders' and 'net asset value per unit' as shown in the 'Statement of Assets and Liabilities' and 'Statement of Movement in Unit Holders' Fund'. The change has resulted in inclusion of certain additional disclosures / new presentation requirements in the 'Income Statement' and 'Statement of Movement in Unit Holders' Fund' which have been incorporated in these statements.

- 3.3 The Fund's financial risk management objectives 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, 2017.

## 4. TOTAL EXPENSE RATIO

The Total Expense Ratio of the Fund is 0.64% as on December 31, 2017 (December 31, 2016: 0.58%) and this includes 0.15% (December 31, 2016: 0.09%) representing Government Levy and SECP fee. This ratio is within the maximum limit of 2% prescribed under the NBFC Regulation 60 (5) for a collective investment scheme categorised as an income scheme.

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
5. INVESTMENTS	Note	----- (Rupees in '000) -----	
<b>Invesments by Category</b>			
<b>'At fair value through profit or loss - held-for-trading'</b>			
Market Treasury Bills	5.1	691,783	970,336
<b>'Available-for-sale'</b>			
Pakistan Investment Bonds	5.3	29,461	54,718
		<u>721,244</u>	<u>1,025,054</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 5.1 Government securities - 'at fair value through profit or loss - held-for-trading'

Name of security	Note	Date of Issue	Face value			Balance as at December 31, 2017			Market value		
			As at July 01, 2017	Purchases during the period	Disposed / matured during the period	As at December 31, 2017	Carrying value	Market value	Unrealised (Loss) / gain	As a percentage of net assets	As a percentage of total investments
(Rupees in '000)											

### Market Treasury Bills

Treasury bills - 3 months	5.1.1	October 26, 2017	350,000	2,865,000	2,735,000	480,000	478,738	478,742	4	49.69% 66.38%
Treasury bills - 6 months			425,000	460,000	885,000	-	-	-	-	0.00% 0.00%
Treasury bills - 1 year	5.1.2	July 02, 2017	200,000	920,000	900,000	220,000	213,068	213,041	(27)	22.11% 29.54%

### December 31, 2017

**691,806    691,783    (23)    71.80% 95.92%**

### June 30, 2017

**970,339    970,336    (3)**

5.1.1 This will mature latest by January 18, 2018 (June 30, 2017: July 20, 2017) and carry effective yield at the rate of 6.00% (June 30, 2017: 5.96% to 5.98%) per annum.

5.1.2 This will mature latest by July 19, 2018 (June 30, 2017: July 20, 2017) and carry effective yield at the rate of 6.00% (June 30, 2017: 5.98%) per annum.

## 5.2 Net unrealised loss on revaluation of investments 'at fair value through profit or loss - held-for-trading'

Note	(Un-Audited) December 31, 2017	(Audited) June 30, 2017	----- (Rupees in '000) -----	
5.1	691,783	970,336		
5.1	(691,806)	(970,339)		
	<b>(23)</b>	<b>(3)</b>		

Market value of investments  
Less: carrying value of investments

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 5.3 Government securities - 'available-for-sale'

Name of security	Note	Date of Issue	Face value			Balance as at December 31, 2017			Market value	
			As at July 01, 2017	Purchases during the period	Disposed / matured during the period	As at December 31, 2017	Carrying value	Market value	(Diminution) / appreciation	As a percentage of net assets
(Rupees in '000)										
Pakistan Investment Bonds										
PIB - 3 years			820	100,000	100,820	-	-	-	0.00%	0.00%
PIB - 5 years	5.3.1	July 18, 2013 & March 26, 2015	9,160	200,000	203,680	5,480	5,788	5,740 (48)	0.60%	0.80%
PIB - 10 years	5.3.2	July 19, 2012	34,950	-	19,700	15,250	18,099	17,690 (409)	1.84%	2.45%
PIB - 20 years	5.3.3	June 10, 2004	5,500	-	-	5,500	5,580	6,031 451	0.63%	0.84%
December 31, 2017							29,467	29,461 (6)	3.07%	4.09%
June 30, 2017							54,163	54,718 555		

**5.3.1** These Pakistan Investment Bonds carry interest at the rate ranging from 9.25% to 11.50% (June 30, 2017: 9.25% to 11.50%) per annum. These will mature latest by March 26, 2020 (June 30, 2017: March 26, 2020).

**5.3.2** This Pakistan Investment Bond carries interest at the rate of 12.00% (June 30, 2017: 12.00%) per annum. This will mature latest by July 19, 2022 (June 30, 2017: July 19, 2022).

**5.3.3** These Pakistan Investment Bonds carry interest at the rate of 10% (June 30, 2017: 10%) per annum. These will mature latest by June 10, 2024 (June 30, 2017: June 10, 2024).

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

		(Un-Audited) December 31, 2017	(Audited) June 30, 2017
	Note	----- (Rupees in '000) -----	
<b>6. ACCRUED AND OTHER LIABILITIES</b>			
Provision for Sindh Workers' Welfare Fund (SWWF)	6.1	4,105	3,516
Federal Excise Duty payable on management fee	6.2	29,028	29,028
Federal Excise Duty and related taxes payable on sales load		4,170	4,170
Withholding tax payable		61	5,742
Auditors' remuneration payable		232	427
Brokerage payable		2	80
Payable against redemption of units		-	7,186
Others		1,707	1,665
		<u>39,305</u>	<u>51,814</u>

- 6.1** There is no change in the status of the SWWF as reported in note 13.1 to the annual financial statements of the Fund for the year ended June 30, 2017.
- 6.2** 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 note 15 to the annual financial statements of the Fund for the year ended June 30, 2017.

## 7. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2017.

## 8. 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 these condensed interim financial statements.

## 9. 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.

		----- (Un-Audited) ----- December 31, 2017	December 31, 2016
	Note	----- (Rupees in '000) -----	
<b>10. CASH AND CASH EQUIVALENTS</b>			
Balances with banks		968,823	3,519,015
Treasury bills maturing within 3 months	5.1	478,742	-
		<u>1,447,565</u>	<u>3,519,015</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

## 11. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

Details of transactions and balances at period end with related parties / connected persons, other than those which have been disclosed elsewhere in these condensed interim financial statements, are as follows:

### 11.1 Unit Holders' Fund

	December 31, 2017					December 31, 2016				
	As At		As At		As At December 31, 01, 2017	As At		As At		As At December 31, 01, 2016
	As At July 01, 2017	Issued For Cash	Redeemed Units	Redeemed (Rupees in '000)		As At July 01, 2017	Issued For Cash	Redeemed Units	Redeemed (Rupees in '000)	
<b>Mandate under discretionary portfolio services</b>	47,579	201	-	-	47,780	2,528	11	-	-	2,602
<b>Key management personnel</b>	11,048	9	11,048	9	587	1	600	-	-	-
<b>Group / associated companies</b>										
Adamjee Insurance Company Limited	54,446,348	-	27,799,270	26,647,078	2,896,546	-	-	1,500,000	-	1,447,203
Adamjee Life Assurance Company Limited - Employees Provident Fund	1,628,533	-	1,628,533	-	86,638	-	-	88,102	-	-
Adamjee Life Assurance Company Limited - Investment Multiplier Fund	-	187,793	187,793	-	-	-	10,000	10,032	-	-
Adamjee Life Assurance Company Limited - Investment Secure Fund	940,203	751,174	1,691,377	-	50,019	40,000	90,466	-	-	-
Adamjee Life Assurance Company Limited - Investment Secure Fund II	-	375,587	375,587	-	-	20,000	20,084	-	-	-
Adamjee Life Assurance Company Limited - Non-Unitised Investment Linked Fund	1,226,452	187,793	1,414,245	-	65,247	10,000	75,587	-	-	-
D.G. Khan Cement Company Limited	-	14,988,856	14,988,856	-	-	800,405	801,154	-	-	-
<b>Mandate under discretionary portfolio services</b>	1,650,141	703,194	2,201,362	151,973	87,787	37,617	118,345	8,254	-	-
<b>Key management personnel</b>	312,289	73,308	303,901	81,696	16,614	3,919	16,442	4,437	-	-

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

----- (Un-Audited) -----	
Half year ended	
December 31, 2017	December 31, 2016
----- (Rupees in '000) -----	

## 11.2 Transactions during the period:

### **MCB-Arif Habib Savings and Investments Limited - Management Company**

Remuneration of the Management Company including indirect taxes	4,175	29,159
Expenses allocated by the Management Company and related taxes	668	4,134
Legal and professional charges	-	45
Issuance of Nil (2016: 2,340,394) units	-	124,986
Redemption of Nil (2016: 7,540,244) units	-	404,312

### **Central Depository Company of Pakistan Limited - Trustee**

Remuneration including indirect taxes	927	3,528
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### **Group / Associated Companies**

#### **Arif Habib Limited**

Brokerage expense *	-	3
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#### **Next Capital Limited**

Brokerage expense *	-	116
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#### **MCB Bank Limited**

Mark-up on bank deposits	15	601
Bank charges	2	39
Sale of securities face value Nil (2016: 450,000,000)	-	571,890
Purchase of securities face value Nil (2016: 500,000,000)	-	496,640

#### **Silk Bank Limited**

Sale of securities face value 150,000,000 (2016: 1,075,000,000)	156,215	1,109,702
Purchase of securities face value Nil (2016: 150,000,000)	-	189,049

(Un-Audited) December 31, 2017	(Audited) June 30, 2017
----- (Rupees in '000) -----	

## 11.3 Balances outstanding at period / year end:

### **MCB-Arif Habib Savings and Investments Limited - Management Company**

Remuneration payable to Management Company	537	1,080
Sales tax payable on remuneration to Management Company	70	141
Sales load payable including related taxes	2	-
Expenses allocated by Management Company	87	174

### **Central Depository Company of Pakistan Limited - Trustee**

Remuneration payable (including indirect taxes)	144	217
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### **Group / Associated Companies:**

#### **MCB Bank Limited**

Bank balance	3,560	15,018
Mark-up receivable	91	93
Sales load payable	-	53

\* The amount disclosed represents the amount of brokerage paid / payable to 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 connected persons as the ultimate counter-parties are not connected persons.

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). Adoption of IFRS 13 has not affected the condensed interim financial information.

Financial assets which are tradable in an open market are revalued at the market prices prevailing on the statement of assets and liabilities date. The estimated fair value of all other financial assets and financial liabilities is considered not significantly different from book value.

The following table shows financial instruments recognized at fair value, analyzed between those whose fair value is 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).

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# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

June 30, 2017

	Carrying amount		Fair value			
	Fair value through profit or loss - held for trading	Available-for-sale	Other financial assets / financial liabilities	Level 1	Level 2	Level 3
<b>Financial assets measured at fair value</b>						
Market treasury bills	970,336	-	-	-	970,336	-
Pakistan investment bonds	-	54,718	-	-	54,718	-
	970,336	54,718	-	-	1,025,054	-
<b>Financial assets not measured at fair value</b>						
Balances with banks	-	-	1,321,761	1,321,761		
Mark-up and other receivables	-	-	4,679	4,679		
	-	-	1,326,440	1,326,440		
<b>Financial liabilities not measured at fair value</b>						
Payable to the Management Company	-	-	1,254	1,254		
Payable to the Trustee	-	-	193	193		
Payable against purchase of investments	-	-	945,695	945,695		
Accrued and other liabilities	-	-	7,932	7,932		
	-	-	955,074	955,074		

During the period ended December 31, 2017, there were no transfers between level 1 and level 2 fair value measurements, and no transfer into and out of level 3 fair value measurements.

## 12.1 Valuation techniques used in determination of fair values within level 2:

Fair values of Market Treasury Bills and Pakistan Investment Bonds are derived using PKRV rates (Reuters page).

12.2 The Fund has not disclosed the fair values for these financial assets and financial liabilities, as these are either short term in nature or repriced periodically. Therefore, their carrying amounts are a reasonable approximation of fair value.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UN-AUDITED) FOR THE HALF YEAR ENDED DECEMBER 31, 2017

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### 13. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on February 23, 2018 by the Board of Directors of the Management Company.

### 14. GENERAL

Certain prior year's / period's figures have been reclassified for the purpose of comparison. However, there were no material reclassifications to report.

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



Chief Executive Officer



Chief Financial Officer



Director

## **MCB-Arif Habib Savings and Investments Limited**

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