



# Bachat ka Doosra Naam

Asset Manager Rating (By PACRA): **AM2+** (AM Two Plus)

## Quarterly Report March 31, 2015 (Unaudited)



Funds Under Management  
of  
MCB-Arif Habib Savings and Investments Limited

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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.

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors</b>	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Dr. Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman Executive Vice Chairman Chief Executive Officer Director Director Director Director Director
<b>Audit Committee</b>	Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib	Chairman Member Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
<b>Company Secretary &amp; Chief Financial Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B Block 'B', S.M.C.H.S, Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Al-Falah Limited United Bank Limited Allied Bank Limited Faysal Bank Limited	
<b>Auditors</b>	KPMG Taseer Hadi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	Akhund Forbes D-21, Block-4, Scheme-5, Clifton, Karachi.  Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Rating</b>	Asset Manager: "AM2+" (PACRA) Entity Ratings : "AA-" (PACRA)	

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **Metro-bank Pakistan Sovereign Fund's** accounts review for the nine months ended March 31st 2015.

### **Economy & Money Market Review**

In the wake of lower oil prices, macro-environment has stabilized with strengthening outlook. With oil prices hovering around \$55 per barrels at the end of March, 2015 in the international market, the crude has fallen by more than 50% from its peak level of around \$114 per barrel touched in June, 2014, largely benefiting the country in the shape of soft inflation and lower oil import bill.

Hence, on the heels of stable food prices and cut in fuel prices in the domestic market, Consumer Price Inflation averaged around 5.14% during the first nine months of the current fiscal year. If oil prices stabilize below \$60 per barrel, CPI is expected to persist in lower range during the last quarter of the current fiscal year.

While the country's current account deficit summed to \$1.64 billion during the first eight months of the current fiscal year (as per latest available data) as opposed to deficit of \$ 2.4 billion during the corresponding period last year. With trade deficit largely unchanged compared to the previous year, improvement in the current account balance came from larger Collation Support Fund proceeds and higher remittances.

Import bill remained close to the last year's level, as benefit of lower oil bill was eroded by volumetric increase in imports of other segments. Whereas exports have slightly weakened in consideration of lower cotton prices, disruptive power supplies and the loss of competitiveness due to real exchange rate appreciation. With oil imports accounting for one-third of the country's total import bill, trade deficit is forecasted to narrow down in the coming months reflecting significant drop in oil prices.

Workers' Remittances summed to \$ 13.33 billion during the nine months period, marking a growth of 15 percent as compared to the corresponding period last year.

At the same time, financial account registered a surplus of \$ 2.5 billion as compared to a surplus of \$ 0.61 billion recorded during the same period last year. This is mainly due to increase in portfolio investments after the government successfully raised \$ 1 billion through Sukuk auction.

The country's FX reserves got an impetus from multilateral and bilateral disbursements, privatization proceeds, \$ 1 billion Sukuk auction, lower oil bill and SBP interventions. The reserves stood at around \$ 16 billion at the end of March, higher by around \$2 billion since the start of the current fiscal year. Out of total financing of around \$ 2.2 billion scheduled for FY15 under IMF Extended Fund Facility (EFF), the country has received two tranches of around \$ 540 million each during 9MFY15.

Keeping in view lower inflationary pressure along with improving outlook on the balance of payment, the government had announced cut in the discount rate in the monetary policy held in November, January and March, bringing the discount rate to 8 percent from 10 percent at the start of the year.

M2 has expanded by 4.87 percent during the 9MFY15 (till 27th March) as opposed to expansion of 5.21 percent during the same period last year. At the same time, the net borrowing from the banking system increased by Rs 521.62 billion as opposed to Rs 505.86 billion raised during the same period last year.

Money market remained quite active during the 9MFY15, largely due to declining interest rate scenario stemming from sharp decline in oil prices. Participation largely remained concentrated in longer tenure paper causing strain on short term liquidity as the government sold a total of Rs 850 billion worth of PIBs against a target of Rs 600 billion during the first three quarters.

### **FUND PERFORMANCE**

During the period under review, the fund generated an annualized return of 17.62% as against its benchmark return of 10.66%, an out performance of 6.96% due to well-timed accumulation of Government papers according to adjustments in the yield curve.

## **REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015**

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In order to capitalize on the decreasing interest rate scenario, fund increased its portfolio duration by increasing allocation in PIBs. The fund strategically acquired PIBs at attractive yields. At period-end, the fund was 77.1% invested in PIBs and 12.8% in T-bills.

The Net Assets of the Fund as at March 31, 2015 stood at Rs. 9133.0 million as compared to Rs. 2496.0 million as at June 30, 2014 registering an increase of 265.91%.

The Net Asset Value (NAV) per unit as at March 31, 2015 was Rs. 56.66 as compared to opening NAV of Rs. 50.04 per unit as at June 30, 2014 registering an increase of Rs. 6.62 per unit.

### **MARKET & ECONOMY - FUTURE OUTLOOK**

The government expects reserve position to improve further towards the end of the ongoing fiscal year on the back of significant improvement in foreign direct investments and pledges made by multilateral agencies. The government is eyeing to raise foreign inflows through offloading its stake in HBL and the country is also expected to receive next tranche of US\$ 550 million from IMF in April. Remittances are expected to grow further, however, political distraction in the Middle Eastern region and lower oil prices pose risk to the ongoing northward trend.

Due to subsiding cost pressure, we expect manufacturing sectors, primarily, Auto, Cement and Consumer sectors to outperform the broader market. Moreover, continuation of expansionary environment suggests high-dividend yield companies to stay in the limelight.

### **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,



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**Yasir Qadri**  
Chief Executive Officer  
April 24, 2015

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

## AS AT 31 MARCH 2015

	Note	31 March 2015 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
<b>Assets</b>			
Balance with banks		788,868	684,905
Investments	6	8,287,612	1,762,472
Income from investments and profit receivable		142,059	91,369
Advance and prepayments		2,111	2,055
<b>Total assets</b>		<b>9,220,650</b>	<b>2,540,801</b>
<b>Liabilities</b>			
Payable to the Management Company		11,280	3,160
Payable to Central Depository Company of Pakistan Limited - Trustee		648	213
Payable to Securities and Exchange Commission of Pakistan		2,907	894
Payable against purchase of investments		-	-
Accrued expenses and other liabilities	7	72,705	40,073
<b>Total liabilities</b>		<b>87,540</b>	<b>44,340</b>
<b>Net assets</b>		<b>9,133,110</b>	<b>2,496,461</b>
<b>Unit holders' fund</b>		<b>9,133,110</b>	<b>2,496,461</b>
<b>Contingencies and commitments</b>	9		
		(Number of Units)	
<b>Number of units in issue (face value of units is Rs. 50 each)</b>		<b>161,182,897</b>	<b>49,885,250</b>
		(Rupees)	
<b>Net asset value per unit</b>		<b>56.66</b>	<b>50.04</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

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

  
Chief Executive Officer

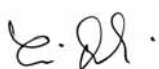
  
Director



**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015**

	Note	Nine Month Period		Quarter ended	
		31-Mar 2015	31-Mar 2014	31-Mar 2015	31-Mar 2014
		----- (Rupees in '000) -----			
<b>Income</b>					
Capital gain / (loss) on sale of government securities - net		227,902	(2,790)	167,520	5,811
Income from government securities		384,643	55,515	206,451	16,269
Income from reverse repurchase transactions in government securities		-	48	-	-
Profit on bank deposits		20,988	3,597	8,671	1,387
		633,533	56,370	382,642	23,467
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		39,609	7,626	(42,082)	9,272
<b>Total income</b>		673,142	63,996	340,560	32,739
<b>Expenses</b>					
Remuneration of the Management Company		44,405	5,716	23,379	1,853
Sindh Sales tax and Federal Excise Duty on Management Fee		14,831	1,976	7,809	641
Remuneration of Central Depository Company of Pakistan Limited - Trustee		3,470	881	1,772	241
Annual Fee - Securities and Exchange Commission of Pakistan		2,907	451	1,587	123
Auditors' remuneration		415	620	123	168
Brokerage expenses		2,003	359	1,085	251
Other expenses		1,085	369	503	113
<b>Total operating expenses</b>		69,116	10,372	36,258	3,390
<b>Net income from operating activities</b>		604,026	53,624	304,302	29,349
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		379,998	25,990	135,085	30,837
Provision for workers' welfare fund	8.2	(19,680)	(1,592)	(8,787)	(1,203)
<b>Net income for the period before taxation</b>		964,344	78,022	430,600	58,983
Taxation	10	-	-	-	-
<b>Net income for the period after taxation</b>		964,344	78,022	430,600	58,983
<b>Earnings per unit</b>	11				

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

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

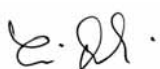
  
 Director



**STATEMENT OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015**

	Nine Month Period		Quarter ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>	<b>964,344</b>	78,022	<b>430,600</b>	58,983
<b>Other comprehensive income:</b>				
<i>Items that are or may be reclassified subsequently to income statement</i>				
Net unrealised appreciation/(Diminution) on re-measurement of investments classified as 'available for sale'	<b>81,008</b>	(392)	<b>35,938</b>	(392)
<b>Total comprehensive income for the period</b>	<b>1,045,352</b>	77,630	<b>466,538</b>	58,591

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

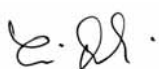
For MCB-Arif Habib Savings and Investments Limited  
 (Management Company)

  
 Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)**  
**FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015**

	Nine Month Period		Quarter ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	----- (Rupees in '000) -----			
Undistributed income brought forward	2,194	34,174	593,827	346
Total comprehensive income for the period	1,045,352	77,630	466,538	58,591
Net element of income and capital gains included in prices of units issued less those in units redeemed				
- amount representing unrealised appreciation	26,415	-	13,596	-
<b>Distributions to the unit holders of the Fund:</b>				
Final distribution at the rate Rs. nil (2014: Rs. 1.38) per unit for the year ended 30 June 2014 / 30 June 2013 Declared on 4 July 2013 - Bonus distribution 682,389 units	-	(34,119)	-	-
Interim distribution at the rate of Rs. nil (2014: Rs. 0.53) per unit for the quarter ended 30 September 2014 /				
Declared on 27 September 2013 - Bonus distribution 173,914 units	-	(8,696)	-	-
Interim distribution at the rate Rs. nil (2014: Nil) for the period ended 31 March 2014 Declared on 26 March 2013 - Bonus distribution 201,043 units		- (10,052)		-
Interim distribution at the rate Rs. nil (2014: Rs. 2.04) for the period ended 31 March 2014 / 31 March 2013 Declared on 26 March 2013 Bonus distribution 1,158,223 units		(57,911)		(57,911)
	-	(110,778)	-	(57,911)
Undistributed income carried forward	1,073,961	1,026	1,073,961	1,026

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

  
 Chief Executive Officer

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

  
 Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Nine Month Period		Quarter ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	----- (Rupees in '000) -----			
<b>Net assets at beginning of the period</b>	<b>2,496,461</b>	<b>1,270,388</b>	<b>7,193,952</b>	<b>533,949</b>
*Issue of 181,813,980 units (2014: 30,297,846 units) and 70,488,097 units (2014: 29,005,358 units) for the Nine months period and quarter ended respectively	<b>9,802,374</b>	1,446,282	<b>3,912,633</b>	1,434,511
Redemption of 70,516,333 units (2014: 25,282,134 units) and 41,267,632 units (2014: 9,937,453 units) for the Nine months period and quarter ended respectively	<b>(3,831,079)</b>	(1,280,285)	<b>(2,304,928)</b>	(508,190)
Issue of Nil bonus units for the nine months ended 31 March 2015 (2014: 1,840,612 units) and Nil Units (2014: 1,158,223) for the quarter ended	-	110,778	-	57,911
	<b>5,971,295</b>	<b>276,775</b>	<b>1,607,705</b>	<b>984,232</b>
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:				
- amount representing (income) / loss and capital (gains) / losses transferred to income statement	<b>(379,998)</b>	(25,990)	<b>(135,085)</b>	(30,837)
- amount representing income that forms part of unit holder's fund transferred to distribution statement	<b>(26,415)</b>	-	<b>(13,596)</b>	-
	<b>(406,413)</b>	<b>(25,990)</b>	<b>(148,681)</b>	<b>(30,837)</b>
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'available for sale'		<b>(392)</b>		<b>(392)</b>
Net element of income and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	<b>26,415</b>		<b>13,596</b>	-
Net income for the period (excluding net unrealised appreciation in fair value of investments classified as 'at fair value through profit or loss' and capital gains on sale of investments)	<b>696,833</b>	73,185	<b>305,162</b>	43,900
Capital gain / (loss) on sale of investments - net	<b>227,902</b>	(2,790)	<b>167,520</b>	5,811
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	<b>39,609</b>	7,627	<b>(42,082)</b>	9,272
Net unrealised appreciation on re-measurement of investments classified as 'available for sale'	<b>81,008</b>	-	<b>35,938</b>	-
Total comprehensive income for the period	<b>1,045,352</b>	<b>78,022</b>	<b>466,538</b>	<b>58,983</b>
Distribution during the period	-	(110,778)	-	(57,911)
<b>Net assets at end of the period</b>	<b>9,133,110</b>	<b>1,488,025</b>	<b>9,133,110</b>	<b>1,488,025</b>
Net assets value per unit as at beginning of the period	<b>50.04</b>	51.38	<b>51.45</b>	50.03
Net assets value per unit as at end of the period	<b>56.66</b>	50.03	<b>56.66</b>	50.03

\* This includes nil units (2014: 2,215,569 units) and nil units (2014: 1,158,224 units) issued as bonus units for the half year and quarter ended respectively.

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

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

  
Chief Executive Officer

  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	Nine Month Period		Quarter ended	
	31 March 2015	31 March 2014	31 March 2015	31 March 2014
	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	964,344	78,022	430,600	58,983
<b>Adjustments for non cash and other items:</b>				
Net unrealised (appreciation) / diminution on re-measurement of investments classified as 'at fair value through profit or loss'	(39,609)	(7,626)	42,082	(9,272)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(379,998)	(25,990)	(135,085)	(30,837)
	(419,607)	(33,616)	(93,003)	(40,109)
	544,737	44,406	337,597	18,874
<b>(Increase) / decrease in assets</b>				
Investments	(6,404,523)	99,038	(2,382,803)	(636,276)
Income from investments and profit receivable	(50,690)	(7,080)	97,597	(19,265)
Advances and prepayments	(56)	(65)	252	(144)
	(6,455,269)	91,893	(2,284,954)	(655,685)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	8,120	(1,106)	3,090	664
Payable to the Central Depository Company of Pakistan - Trustee	435	(95)	208	40
Annual fee payable to Securities and Exchange Commission of Pakistan	2,013	(3,397)	1,587	123
Payable against purchase of investments	-	(174,013)	(898,198)	-
Accrued expenses and other liabilities	32,632	2,833	(57,746)	1,604
	43,200	(175,778)	(951,059)	2,431
<b>Net cash (used in) / generated from operating activities</b>	(5,867,332)	(39,479)	(2,898,416)	(634,380)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	9,802,374	1,446,282	3,912,633	1,434,511
Payments against redemption of units	(3,831,079)	(1,280,285)	(2,304,928)	(508,190)
<b>Net cash generated from / (used in) financing activities</b>	5,971,295	165,997	1,607,705	926,321
<b>Net increase / (decrease) in cash and cash equivalents</b>	103,963	126,518	(1,290,711)	291,941
Cash and cash equivalents at beginning of the period	684,905	195,220	2,079,579	29,797
<b>Cash and cash equivalents at end of the period</b>	<b>788,868</b>	<b>321,738</b>	<b>788,868</b>	<b>321,738</b>

The annexed notes from 1 to 12 form an integral part of this condensed interim financial information.

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

  
Chief Executive Officer

  
Director

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MetroBank - Pakistan Sovereign 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 24 December 2002 and was approved by the Securities and Exchange Commission of Pakistan (SECP) on 7 January 2003 in accordance with the Asset Management Companies Rules, 1995 (AMC Rules), [repealed by the Non - Banking Finance Companies (Establishment and Regulations) Rules, 2003 (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 6 March 2009.
- 1.3 During the year ended 30 June 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 23 November 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 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
- 1.6 MetroBank 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 Fund is listed on the Islamabad Stock Exchange.
- 1.8 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2+(Plus)' to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company and has assigned stability rating of "A+(f)" (A Plus ; fund rating) 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)	31 December 2012
MetroBank - Pakistan Sovereign Fund - (December 2007)	31 December 2007
MetroBank - Pakistan Sovereign Fund - (December 2005)	31 December 2005
MetroBank - Pakistan Sovereign Fund - (December 2003)	31 December 2003

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 Statement of compliance

This condensed interim financial information has been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBC Rules), the Non- Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP) . In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984, 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 directives issued by the Securities and Exchange Commission of Pakistan (SECP) have been followed.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

This condensed interim financial information does not include all the information and disclosures required for full annual financial statements and should be read in conjunction with the financial statements for the year ended 30 June 2014.

The comparative in the statement of assets and liabilities presented in the condensed interim financial information as at 31 March 2015 have been extracted from the audited financial statements of the Fund for the year ended 30 June 2014, where as the comparatives in the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' funds are stated from unaudited condensed interim financial information for the half year ended 31 March 2014.

**2.2** The Directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

**2.3** This condensed interim financial information have been prepared on the basis of historical cost convention except that investments have been included at fair value.

**2.4 Functional and presentation currency**

This condensed interim financial information is presented in Pak Rupees which is the functional and presentation currency of the Fund and rounded to the nearest thousand rupees.

**3. SIGNIFICANT ACCOUNTING POLICIES**

**3.1** The accounting policies adopted for the preparation of this condensed interim financial information are the same as those applied in the preparation of financial statements for the year ended 30 June 2014

**3.2** 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 result in change to the Fund's operation or a change in accounting policies of the Fund.

**4. ESTIMATES AND JUDGEMENTS**

The preparation of condensed interim financial information requires management to make judgments, timates 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, the significant judgments made by management in applying accounting policies and the key sources of estimation uncertainty were the same as those that applied to financial statements as at and for the year ended 30 June 2014.

**5. FINANCIAL RISK MANAGEMENT**

The Fund's financial risk management objectives and policies are consistent with that disclosed in the financial statements as at and for the year ended 30 June 2014.

**6. INVESTMENTS**

	31 March 2015 (Unaudited)	30 June 2014 (Audited)
	(Rupees in '000)	

***'At fair value through profit or loss' - held for trading***

Pakistan Investment Bonds

7.1	644,191	1,189,794
-----	---------	-----------

Market Treasury Bills

7.1	1,178,108	24,659
-----	-----------	--------

	1,822,299	1,214,453
--	-----------	-----------

***'Available-for-Sale'***

Pakistan Investment Bonds

7.2	6,465,313	548,019
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	8,287,612	1,762,472
--	-----------	-----------

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

## 6.1 Government securities - 'at fair value through profit or loss'

	Face value			Balance as at 31 March 2015			Market value	
	As at 1 July 2014	Purchases during the period	Sales / Matured during the period	As at 31 March 2015	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
	(Rupees in '000)			(Rupees in '000)				
<b>Pakistan Investment Bond</b>								
PIB - 3 years	7.1.1	1,200,000	3,278,820	4,478,820	-	-	0.00%	0.00%
PIB - 5 years	7.1.1	-	831,505	425,550	405,581	440,722	4.83%	5.32%
PIB - 10 years	7.1.1	-	1,975,000	1,775,000	199,035	203,469	2.23%	2.46%
<b>Total - 31 March 2015</b>					<b>604,616</b>	<b>644,191</b>		<b>39,575</b>
Total - 30 June 2014					1,190,245	1,189,794		(451)
<b>Market Treasury Bills</b>								
Treasury bills - 3 months	7.1.2	25,000	5,398,300	5,423,300	-	-	0.00%	0.00%
Treasury bills - 6 months	-	-	2,287,500	1,600,000	675,164	675,109	7.39%	8.15%
Treasury bills - 1 year	-	-	5,477,500	4,972,500	502,912	502,999	5.51%	6.07%
<b>Total - 31 March 2015</b>					<b>1,178,076</b>	<b>1,178,108</b>		<b>32</b>
Total - 30 June 2014					24,660	24,659		(1)
<b>Total of investments in Government Securities - 31 March 2015</b>					<b>1,782,692</b>	<b>1,822,299</b>		<b>39,607</b>
Total of investments in Government Securities - 30 June 2014					1,214,905	1,214,453		(452)

**6.1.1** These Pakistan Investment Bonds have a cost of Rs.604 million (30 June 2014: Rs. 1,190 million) carry interest at the rate of 8.75% to 12% (30 June 2014: 11.25%) per annum. These will mature latest by 18 July 2018 (30 June 2014: 18 July 2016)

**6.1.2** These Treasury bills have a cost of Rs. 1,178 million (30 June 2014: Rs. 24,486 million) carry effective yield ranging between 9.5% to 9.95% (30 June 2014 : 9.74%) per annum. These will mature latest by 03 September 2015 (30 June 2014 : 21 August 2014).



**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015**

**6.2 Government securities - 'available for sale'**

Face value				Balance as at 31 March 2015		Market value	
As at 1 July 2014	Purchases during the period	Sales / Matured during the period	As at 31 March 2015	Carrying value	Market value	As a percentage of net assets	As a percentage of total investments
------(Rupees in '000)-----				------(Rupees in '000)-----			
Pakistan Investment Bond							
7.2.1	555,500	3,623,450	1,366,180	2,812,770	2,916,758	24,094	31.94% 35.19%
7.2.1	-	2,972,625	1,060,355	1,912,270	2,041,766	18,836	22.36% 24.64%
7.2.1	-	101,000	-	101,000	102,821	(222)	1.13% 1.24%
7.2.1	-	2,152,500	-	(2,152,500)	1,403,968	38,477	15.37% 16.94%
Total - 31 March 2015				6,384,128	6,465,313	81,185	
Total - 30 June 2014				547,849	548,019	170	
Total of investments in Government Securities - 31 March 2015				6,384,128	6,465,313	81,185	
Total of investments in Government Securities - 30 June 2014				547,849	548,019	170	

**6.2.1** These Pakistan Investment Bonds have a cost of Rs.6,384 million (30 June 2014: Rs. 547.84 million) carry interest at the rate of 8.75% to 12% (June 2014: 11.25%) per annum. These will mature latest by 26 March 2025 (30 June 2014: 18 July 2016)

**7. ACCRUED EXPENSES AND OTHER LIABILITIES**

	31 March 2015 (Unaudited)	30 June 2014 (Audited)
	(Rupees in '000)	
Auditor's remuneration payable	374	364
Brokerage payable	1,781	265
Provision for Federal Excise Duty and other related taxes	8.1	2,567
Provision for Workers' Welfare Fund	8.2	36,662
Advances against issuance of units	2,000	-
Others	1,563	215
	<b>72,705</b>	<b>40,073</b>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

**8.1** The Finance Act, 2013 introduced an amendment to Federal Excise Act 2005 where by Federal Excise Duty (FED) has been imposed at the rate of 16% of the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (SHC), challenging the levy of Federal Excise Duty on Asset Management Services after the Eighteenth Amendment. The SHC in its short order of September 2013 directed the FBR not to take any coercive action against the petitioners pursuant to impugned notices till next date of hearing. In view of uncertainty regarding the applicability of FED on asset management services, the management, as a matter of abundant caution, has decided to retain and continue with the provision of FED and related taxes in this condensed interim financial statements aggregating to Rs. 10.645 million as at 31 March 2015. In case the suit is decided against the fund the same would be paid to management company, who will be responsible for submitting the same to authorities. Had the said provision of FED not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re. 0.066 per unit.

**8.2** The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a Constitutional Petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh, challenging the applicability of WWF to the CISs, which is pending for adjudication.

In 2011, a single judge of the Lahore High Court (LHC) issued a judgment in response to a petition in similar case whereby the amendments introduced in WWF Ordinance through Finance Acts, 2006 and 2008 have been declared unconstitutional and therefore struck down.

However, in 2013, a Larger Bench of the SHC issued a judgment in response to a petition in another similar case in which it is held that the amendments introduced in the WWF Ordinance through Finance Acts, 2006 and 2008 do not suffer from any constitutional or legal infirmity.

Further, in May 2014, the Honourable Peshawar High Court (PHC) held that the impugned levy of contribution introduced in the Ordinance through Finance Acts, 1996 and 2009 lacks the essential mandate to be introduced and passed through a Money Bill under the constitution and, hence, the amendments made through the Finance Acts are declared as 'Ultra Vires'.

As the matter relating to levy of WWF is currently pending in the Court, the Management Company, as a matter of abundant caution, has decided to retain and continue with the provision for WWF amounting to Rs. 56.342 million (June 30, 2014: Rs.36.662 million) in these condensed interim financial statements. Had the provision not been made, the net asset value per unit of the Fund would have been higher by Rs.0.35 per unit (June 30, 2014: Rs.0.73 per unit)

The Management company, as a matter of abundant precaution, decided to retain the entire provision for Workers' Welfare Fund in this condensed interim financial information.

### 9. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at 31 December 2014 except as disclosed in note 10 of these condensed interim financial information.

### 10. TAXATION

**10.1** The Fund's income is exempt from Income Tax as per clause (99) of part I of the Second Schedule of 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. 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. 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 has distributed the income earned by the Fund during the year to the unit holders in the manner as explained above, accordingly no provision for taxation has been made in these condensed interim financial information.

**10.2** The income tax returns till the tax year 2013 have been filed under self assessment scheme and are deemed to be assessed under section 120 of the Income Tax Ordinance except for tax year 2012 for which Order under section 122(1) of the Ordinance has been received that the fund is not entitled to the exemption from income tax. The Tax Department considers that distribution of bonus units should not be included in calculation of distribution of 90% of declared profit required to claim exemption from income tax. The Fund filed an appeal before Commissioner (Appeals). However, as a matter of abundant caution the fund has also obtained stay against the said orders.

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

The management, based on the tax advice obtained by Mutual Funds Association of Pakistan from various tax advisors and under legal guidance of more than one legal counsels considers that if any orders are passed by the department those would be incorrect and based on erroneous understanding of the law. Further, the Commissioner Inland Revenue (Appeals), in case of certain mutual funds including one of the said funds being managed by the Management Company Limited has also given decision in favour of these funds. Therefore, no provision is required to be made in these condensed interim financial information..

### 11. EARNINGS PER UNIT

Earnings per unit (EPU) has not been disclosed as in the opinion of the management determination of weighted average number of outstanding units for calculating EPU is not practicable.

### 12. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES

Related parties / connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the management company, the Trustees, directors and key management personnel, other associated undertakings and unit holders holding more than 10% units of the Fund.

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provision of the NBFC Regulations 2008 and Constitutive documents of the Fund.

The transactions with connected persons / related parties are in the normal course of business and are carried out on agreed terms at contracted rates.

#### 12.1 Transactions during the period with connected persons / related parties are as follows:

	Nine months ended 31 March		Quarter ended 31 March	
	2015	2,014	2015	2,014
	----- (Unaudited) -----			
	6368576.404			
<b>MCB-Arif Habib Savings and Investments Limited</b>				
Remuneration to the Management Company (including indirect taxes)	<u>59,236</u>	<u>7,692</u>	<u>31,188</u>	<u>2,494</u>
<b>Central Depository Company of Pakistan Limited</b>				
Remuneration of the Trustee	<u>3,470</u>	<u>881</u>	<u>1,772</u>	<u>241</u>
<b>Habib Metropolitan Bank Limited</b>				
Profit on bank deposits	<u>316</u>	<u>123</u>	<u>227</u>	<u>55</u>
Bank charges	<u>347</u>	<u>103</u>	<u>301</u>	<u>39</u>
<b>MCB Bank Limited</b>				
Profit on bank deposits	<u>8,900</u>	<u>163</u>	<u>7,132</u>	<u>61</u>
Bank charges	<u>42</u>	<u>5</u>	<u>34</u>	<u>2</u>
<b>Next Capital Limited</b>				
Brokerage expense***	<u>312</u>	<u>-</u>	<u>312</u>	<u>-</u>
<b>Arif Habib Limited - Brokerage House</b>				
Brokerage expense***	<u>6</u>	<u>-</u>	<u>4</u>	<u>-</u>

## NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

12.2 Balance outstanding as at the period / year end are as follows:

	31-Mar 2015 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
<b>MCB-Arif Habib Savings and Investments Limited</b>		
Management fee payable	8,587	2,086
Sindh sales tax payable on management fee	1,288	334
Sales load payable	1,405	740
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	648	213
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits*	5,937	165,263
Profit receivable	45	40
<b>MCB Bank Limited</b>		
Bank deposits**	10,651	4,497
Profit receivable	254	85
<b>Next Capital Limited</b>		
Brokerage payable***	15	-

\* This includes Rs 16.58 million (30 June 2014: 165.263 million) in saving accounts carrying profit at the rate of 5.5% to 6.5% (30 June 2014: 6% to 7.5%) per annum.

\*\* These represent saving accounts carrying profit at the rate of 7.5% to 9.2% (30 June 2014: 8% to 9%) per annum.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

## 12.3 Transactions during the period with connected persons / related parties in the units of the Fund:

	Nine month ended 31 March 2015		Nine month ended 31 March 2014	
	(Units)	(Rupees in '000)	(Units)	(Rupees in '000)
	(Unaudited)		(Unaudited)	
<b>Units sold to:</b>				
MCB-Arif Habib Savings and Investments Limited	5,661,761	301,287	488,091	25,000
Adamjee Insurance Company Limited				
- Investment Department	18,689,835	985,890	1,937,609	100,000
Adamjee Insurance Company Limited Staff				
Provident Fund	1,383,832	75,000	-	-
Adamjee Life Assurance Company Limited (IMF)	1,322,115	72,000	57,648	3,000
Adamjee Life Assurance Company Limited (ISF)	2,542,594	134,000	307,456	16,000
Adamjee Life Assurance Company Limited (ISF-II)	1,370,145	74,000	345,999	18,000
Adamjee Life Assurance Company Limited				
- NUIL Fund	1,428,968	74,500	422,918	22,000
Habib Sugar Mills Limited ****	18,719,583	1,000,000	-	-
GreenStar Social Marketing Pakistan (G) Ltd.			3,858,025	200,000
Key management personnel	61,093	3,308	-	-
Mandate under Discretionary Portfolio Services	1,571,895	87,234	-	-
<b>Bonus units issued to:</b>				
MCB-Arif Habib Savings and Investments Limited	-	-	51,333	2,567
Adamjee Insurance Company Limited				
- Investment Department	-	-	577,659	28,883
Adamjee Life Assurance Company Limited (ISF)	-	-	14,892	745
Adamjee Life Assurance Company Limited				
- NUIL Fund	-	-	20,380	1,019
*Adamjee Life Assurance Company Limited - IMF			2,352	118
*Adamjee Life Assurance Company Limited - ISF II			14,117	706
GreenStar Social Marketing Pakistan (G) Ltd.			157,407	7,870
Key management personnel	-	-	4,047	202
Mandate under Discretionary Portfolio Services	-	-	1,083	54
<b>Units redeemed by:</b>				
MCB-Arif Habib Savings and Investments Limited	2,233,885	117,600	823,262	41,491
Adamjee Insurance Company Limited				
- Investment Department	6,411,244	325,000	-	-
Adamjee Life Assurance Company Limited (ISF)	-	-	59,952	3,000
Adamjee Life Assurance Company Limited (ISF-II)	113,352	6,200	-	-
Adamjee Life Assurance Company Limited				
- NUIL Fund	-	-	79,936	4,000
Key management personnel	68,159	3,166	8,205	410
Mandate under Discretionary Portfolio Services	2,163,042	119,405	40,314	2,019

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE NINE MONTHS PERIOD AND QUARTER ENDED 31 MARCH 2015

	31 March 2015 (Unaudited) (Units)	30 June 2014 (Audited)	31 March 2015 (Unaudited) (Rupees in '000)	30 June 2014 (Audited)
<b>Units held by:</b>				
MCB-Arif Habib Savings and Investments Limited	4,997,018	1,569,144	283,131	78,520
Adamjee Insurance Company Limited				
- Investment Department	22,436,114	10,157,603	1,271,230	508,286
Adamjee Insurance Company Limited Staff				
Provident Fund	1,383,832	-	78,408	-
Adamjee Life Assurance Company Limited (IMF)	1,988,205	666,090	112,652	33,331
Adamjee Life Assurance Company Limited (ISF)	4,427,192	1,884,598	250,845	94,305
Adamjee Life Assurance Company Limited (ISF-II)	2,031,630	774,837	115,112	38,773
Adamjee Life Assurance Company Limited				
- NUIL Fund	3,134,321	1,705,353	177,591	85,336
Habib Sugar Mills Limited ****	18,719,583	-	1,060,652	-
Key management personnel	75,730	82,797	4,291	4,143
Mandate under Discretionary Portfolio Services	4,328,580	93,392	245,257	4,673

\*\*\*\* These persons became connected persons / related parties during the period due to acquiring unit holding of more than 10% of net assets of the Fund.

## 13. DATE OF AUTHORISATION FOR ISSUE

This condensed interim financial information was authorised for issue on April 24, 2015 by the Board of Directors of the Management Company.

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

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

  
\_\_\_\_\_  
Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

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