

**Half Year Report**  
**December 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.

**MCB PAKISTAN SOVEREIGN FUND**  
**(FORMERLY: METROBANK PAKISTAN SOVEREIGN FUND)**

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## FUND'S INFORMATION

<b>Management Company</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Board of Directors</b>	Mian Mohammad Mansha	Chairman
	Mr. Nasim Beg	Executive Vice Chairman
	Dr. Syed Salman Ali Shah	Director
	Mr. Haroun Rashid	Director
	Mr. Ahmed Jahangir	Director
	Mr. Samad A. Habib	Director
	Mr. Mirza Mahmood Ahmad	Director
<b>Audit Committee</b>	Mr. Haroun Rashid	Chairman
	Mr. Ahmed Jahangir	Member
	Mr. Samad A. Habib	Member
<b>Human Resource &amp; Remuneration Committee</b>	Dr. Syed Salman Ali Shah	Chairman
	Mr. Nasim Beg	Member
	Mr. Haroun Rashid	Member
	Mr. Ahmed Jahangir	Member
<b>Company Secretary &amp; Acting Chief Executive Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Asif Mehdi	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 99-B 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 Faysal Bank Limited United Bank Limited Allied Bank Limited	
<b>Auditors</b>	Ernst & Young Ford Rhodes Sidat Hyder Chartered Accountants Progressive Plaza, Beaumont Road, P.O. Box. 15541, Karachi, Sindh-75530, Pakistan	
<b>Legal Advisor</b>	Bawaney & Partners 3rd & 4th Floor, 68 C, Lane 13, Bukhari Commercial Area, Phase VI, DHA, Karachi.	
<b>Transfer Agent</b>	MCB-Arif Habib Savings and Investments Limited 24 <sup>th</sup> Floor, Centrepoint, Off Shaheed-e-Millat Expressway, Near K.P.T. Interchange, Karachi.	
<b>Rating</b>	AM2 + Asset Manager Rating assigned by PACRA	

# REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present **MCB Pakistan Sovereign Fund's** [Formerly: Metro-bank Pakistan Sovereign Fund] accounts review for the first half ended December 31st, 2015.

## ECONOMY AND MONEY MARKET OVERVIEW

Overall economic score card continued to gather stability with the significant drop in Int'l Crude Oil Prices. Inflation continued to soften despite a small portion of recent decline in oil prices is passed through as other commodity prices and overall food sector also contributed to the overall slowdown. Recent drop in crude oil has deferred the earlier anticipated uptick in inflation as the full year FY16 average inflation is now expected to remain below 3%.

External account continued to remain stable where Petroleum Group Imports during the 1HFY16 are lower by approx 39% compared to 1HFY15. However, sizeable increase in imports of food and machinery groups and a significant decline in exports (down 14.5% in 1HFY15 YoY) shaved off approximately the two third of the benefit of drop oil prices. Suffering from weak global demand and relative in-competitiveness the decline was most visible in the other manufacturing sector followed by food and textile sectors. Overall Balance of payment account reported a surplus of near USD 1.5 billion supported by a narrower current account and inflows in financial account. Overall positive external account impact and strong foreign exchange reserves balance of near USD 20.76 Billion alongwith strict vigilance of SBP kept the rupee relatively stable.

M2 growth returned to positive territory on FY16 to date basis (25-Dec) which reflects the seasonal adjustment where Net Domestic Assets continually supported by a net government borrowing of about PKR 95 billion with a contribution from Net Financial Asset of PKR 168 billion. Money markets remained optimistic about further cut in discount rate and its sustainability in later half of the year. Yield Curve has thus recently witnessed a slight increase in slope with longer dated bonds remaining relatively less responsive to the expected change in policy rate.

## FUND PERFORMANCE

During the period under review, the fund generated an annualized return of 8.22% as against its benchmark return of 7.06%, registering an outperformance of 1.16%.

The Fund in order to capitalize gain at every level has gradually reduced its duration and stood at YTM of 0.83 as compared to YTM of 2 in the beginning of the year.

At period-end, the fund was 8.9% invested in Treasury Bills, 10.9% in cash and bank deposits, and 76.9% in PIBs.

The Net Assets of the Fund as at December 31, 2015 stood at Rs. 8,332 million as compared to Rs. 3,193 million as at June 30, 2015 registering an increase of 160.9%.

The Net Asset Value (NAV) per unit as at December 31, 2015 was Rs. 55.26 as compared to opening NAV of Rs. 53.06 per unit as at June 30, 2015 registering an increase of Rs. 2.20 per unit.

## FUTURE OUTLOOK

Crude Oil Prices have created space on fiscal account with lower subsidies and debt servicing burden however major reforms for resolution of circular debt are yet missing which in turn is leaving the chronic issue unresolved. On the other hand, the weak economic outlook of GCC region and Saudi Arabia opens up a potential risk to flow of remittances which contribute more than 60% to the total. Weak exports and potentially weak remittances can be a significant threat to overall stable economic environment and more importantly the exchange rate. Despite real positive interest rates and weak inflationary outlook, we think the emerging risks to current account shall weigh on any considerations for significant monetary easing.

The short term macro stability is expected to provide favorable environment for economic activities to pick up. The average Consumer Price Index is expected to remain around 3% for the year with the second half of fiscal year inflation expected to average around 4%.

## **REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

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We expect the inflation to gradually pick up but it is expected to remain well anchored next year assuming oil prices remain at lower levels.

Budgeted target for economic growth appear achievable while fiscal deficit may marginally exceed due to challenges in revenue collection despite significant reduction in subsidies.

The China Pakistan Economic Corridor is expected to provide much needed impetus to growth with \$46 billion program expected to spur activity in the construction and power space which would have its trickle down affects. However, the current account is expected to worsen with import bill increasing in the short term along with the Foreign Direct Investment inflows. Profit repatriation in the long term would also be a concern for the balance of payments position.

### **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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**Saqib Saleem**

Acting Chief Executive Officer

February 04, 2016



## 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 Shakra-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 (FORMERLY METROBANK – 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, 2015 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.

**Muhammad Hanif Jakhura**  
Chief Executive Officer  
Central Depository Company of Pakistan Limited

Karachi: February 18, 2016





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

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Ernst & Young Ford Rhodes Sidat Hyder  
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 (Formerly: MetroBank Pakistan Sovereign Fund)** (the Fund) as at **31 December 2015**, the related condensed interim income statement, condensed interim statement of comprehensive income, condensed interim cash flow statement, condensed interim distribution statement, 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.

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

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Building a better  
working world

### *Other matter*

The condensed interim financial information of the Fund for the half year ended 31 December 2014 and the financial statements for the year ended 30 June 2015 were reviewed and audited respectively by another firm of chartered accountants whose review report, dated 02 February 2015, and audit report, dated 07 August 2015, expressed an unqualified conclusion and opinion thereon respectively.

A handwritten signature in black ink, appearing to read 'Shabbir Yunus', with a long horizontal flourish extending to the right.

Chartered Accountants

Engagement Partner: Shabbir Yunus

Date: 04 February 2016

Karachi

A member firm of Ernst & Young Global Limited


# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED) AS AT DECEMBER 31, 2015

		(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
<b>ASSETS</b>			
Balance with banks	5	926,067	1,382,582
Investments	6	7,310,871	2,875,829
Profit receivable		281,660	96,842
Advance and prepayments		2,036	2,086
<b>Total assets</b>		<b>8,520,634</b>	<b>4,357,339</b>
<b>LIABILITIES</b>			
Payable to the Management Company		11,965	8,290
Payable to Central Depository Company of Pakistan Limited - Trustee		758	462
Payable to Securities and Exchange Commission of Pakistan		2,868	4,624
Payable against purchase of investments		-	1,069,911
Payable against redemption of units		102,470	-
Accrued expenses and other liabilities	7	70,562	81,068
<b>Total liabilities</b>		<b>188,623</b>	<b>1,164,355</b>
<b>NET ASSETS</b>		<b>8,332,011</b>	<b>3,192,984</b>
<b>Unit holders' fund (as per statement attached)</b>		<b>8,332,011</b>	<b>3,192,984</b>
<b>Contingencies and commitments</b>	8		
<b>NUMBER OF UNITS IN ISSUE</b>			
		<b>150,767,720</b>	<b>60,180,807</b>
<b>NET ASSET VALUE PER UNIT</b>			
		<b>55.26</b>	<b>53.06</b>

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

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

  
Director

  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

# CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)

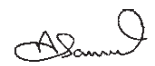
## FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

		Half year ended		Quarter ended	
		December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Note		(Rupees in '000)			
<b>Income</b>					

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

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

  
Director

  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.


# CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Note	Half year ended		Quarter ended	
		December 31,	December 31,	December 31,	December 31,
		2015	2014	2015	2014
		----- (Rupees in '000) -----			
<b>Net income for the period after taxation</b>		<b>311,601</b>	<b>533,744</b>	<b>150,452</b>	<b>444,072</b>
<b>Other comprehensive income:</b>					
<i>Items that are or may be reclassified subsequently to income statement</i>					
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	6.2	<b>31,114</b>	45,070	<b>31,114</b>	45,070
Less: Net unrealised (appreciation) / diminution in value of investment at the beginning of the period	6.2	<b>(27,403)</b>	-	<b>(43,541)</b>	(2,657)
<b>Total comprehensive income for the period</b>		<b>315,312</b>	<b>578,814</b>	<b>138,025</b>	<b>486,485</b>

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

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

  
Director

  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

# CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
<b>Undistributed income brought forward</b>	<b>183,855</b>	2,194	<b>587,784</b>	95,442
Total comprehensive income for the period	<b>315,312</b>	578,814	<b>138,115</b>	486,661
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed	<b>294,377</b>	12,819	<b>67,645</b>	11,724
<b>Undistributed income carried forward</b>	<b>793,544</b>	593,827	<b>793,544</b>	593,827

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

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

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.


# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
<b>Net assets at beginning of the period</b>	<b>3,192,984</b>	<b>2,496,461</b>	<b>7,255,009</b>	<b>3,390,007</b>
Issue of 185,722,909 units (2014: 111,365,883 units) and 77,248,754 units (2014: 89,231,581 units) for the half year and quarter ended respectively	<b>10,028,648</b>	5,889,741	<b>4,236,201</b>	4,764,106
Redemption of 95,135,996 units (2014: 29,248,701 units) and 59,823,865 units (2014: 23,120,373 units) for the half year and quarter ended respectively	<b>(5,183,708)</b>	(1,526,151)	<b>(3,295,418)</b>	(1,216,847)
	<b>4,844,940</b>	4,363,590	<b>940,783</b>	3,547,259
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				
- arising from capital gain and unrealised gain	<b>(2,646)</b>	(106,093)	<b>(1,015)</b>	(104,149)
- arising from other income	<b>(18,579)</b>	(138,820)	<b>(881)</b>	(125,826)
- amount representing income that forms part of unit holder's fund transferred to distribution statement	<b>(294,377)</b>	(12,819)	<b>(67,645)</b>	(11,724)
	<b>(315,602)</b>	(257,732)	<b>(69,541)</b>	(241,699)
Net element of income and capital losses included in prices of units issued less those in units redeemed - transferred to distribution statement	<b>294,377</b>	12,819	<b>67,645</b>	11,724
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>250,245</b>	391,671	<b>115,245</b>	315,923
Capital gain / (loss) on sale of investments - net	<b>61,472</b>	60,382	<b>36,458</b>	62,785
Net unrealised (diminution) / appreciation on re-measurement of investments classified as 'at fair value through profit or loss'	<b>(116)</b>	81,691	<b>(1,251)</b>	65,364
Net unrealised appreciation on re-measurement of investments classified as 'available-for-sale'	<b>3,711</b>	45,070	<b>(12,337)</b>	42,589
Total comprehensive income for the period	<b>315,312</b>	578,814	<b>138,115</b>	486,661
<b>Net assets at end of the period</b>	<b>8,332,011</b>	<b>7,193,952</b>	<b>8,332,011</b>	<b>7,193,952</b>
Net assets value per unit as at beginning of the period	<b>53.06</b>	50.04	<b>54.41</b>	51.45
<b>Net assets value per unit as at end of the period</b>	<b>55.26</b>	54.50	<b>55.26</b>	54.50

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

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

  
Director

  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.



# CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)

## FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
Note	----- (Rupees in '000) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	311,601	533,744	150,452	444,072
<b>Adjustments for non cash and other items:</b>				
Net unrealised diminution / (appreciation) on re-measurement of investments classified as 'at fair value through profit or loss'	116	(81,691)	1,251	(65,364)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed				
- arising from capital gain and unrealised gain	(2,646)	(106,093)	(1,015)	(104,149)
- arising from other income	(18,579)	(138,820)	(881)	(125,826)
	(21,109)	(326,604)	(645)	(295,339)
	290,492	207,140	149,807	148,733
<b>(Increase) / decrease in assets</b>				
Investments	(4,431,447)	(4,021,720)	(528,715)	(2,646,168)
Profit receivable	(184,818)	(148,287)	(199,927)	(180,069)
Advances and prepayments	50	(308)	67	(339)
	(4,616,215)	(4,170,315)	(728,575)	(2,826,576)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	3,675	5,030	3,443	3,485
Payable to the Central Depository Company of Pakistan - Trustee	296	227	139	186
Annual fee payable to Securities and Exchange Commission of Pakistan	(1,756)	426	1,705	804
Payable against purchase of investments	(1,069,911)	898,198	-	898,198
Payable against redemption of units	102,470	-	102,470	-
Accrued expenses and other liabilities	(10,506)	90,378	(106,081)	87,487
	(975,732)	994,259	1,676	990,160
<b>Net cash (used in) / generated from operating activities</b>	(5,301,455)	(2,968,916)	(577,092)	(1,687,683)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Receipts from issuance of units	10,028,648	5,889,741	4,236,201	4,764,106
Payments against redemption of units	(5,183,708)	(1,526,151)	(3,295,418)	(1,216,847)
<b>Net cash generated from / (used in) financing activities</b>	4,844,940	4,363,590	940,783	3,547,259
Net (decrease) / increase in cash and cash equivalents	(456,515)	1,394,674	363,691	1,859,576
Cash and cash equivalents at beginning of the period	1,382,582	684,905	562,376	220,003
<b>Cash and cash equivalents at end of the period</b>	5	926,067	2,079,579	926,067
		2,079,579	926,067	2,079,579

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

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

  
Director

  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

## 1. LEGAL STATUS AND NATURE OF BUSINESS

- 1.1 MCB Pakistan Sovereign Fund (Formerly: 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 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 (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 no. 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 November 03, 2009.
- 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 registered office of the Management Company is currently situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan. With effect from February 08, 2016 the registered office of the Management Company will be changed to 24th Floor, Centre Point, Off. Shaheed-e-Millat Expressway, Near KPT Interchange, Karachi, Pakistan.
- 1.6 The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the fund can be transferred to / from the funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The Fund is listed on the Pakistan Stock Exchange Limited (formerly: Islamabad Stock Exchange (Guarantee) Limited).
- 1.7 Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM 2+ (AM two plus) to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company on April 07, 2015 and has assigned stability rating of "A+ (f)" (A plus: fund rating) to the Fund on December 31, 2015.

## 2. BASIS OF PREPARATION

- 2.1 These condensed interim financial statements for the half year ended December 31, 2015, have been prepared in accordance with the requirements of International Accounting Standard 34: 'Interim Financial Reporting', the Trust Deed, the NBFC Rules, Non-Banking Finance Companies and Notified Entities Regulations, 2008 (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.
- 2.2 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, 2015.
- 2.3 "These condensed interim financial statements are un-audited but subject to limited scope review by the auditors. Figures for the quarters ended December 31, 2015 and December 31, 2014 as reported in these condensed interim financial statements have not been subject to limited scope review by the external auditors.
- 2.4 This condensed interim financial information is presented in Pak Rupees, which is the functional and presentation currency of the Fund and has been rounded off to the nearest thousand rupees, unless otherwise specified.

## 3. ACCOUNTING POLICIES AND ESTIMATES

- 3.1 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, 2015, except as follows:

New / revised Standards, Interpretations and Amendments

The Fund has adopted the following revised standards, amendments and interpretation of IFRSs which became effective for the current period:

# NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

IFRS 10 – Consolidated Financial Statements

IFRS 11 – Joint Arrangements

IFRS 12 – Disclosure of Interests in Other Entities

IFRS 13 – Fair Value Measurement

The adoption of the above amendments 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. Such improvements to the standards do not have any impact on the Fund's financial statements for the period.

- 3.2** The element of income arising on issuance and redemption of units is bifurcated into portion attributable to capital gain / losses (realised and unrealised) and other income appearing in book of accounts of the Fund.

## **4. FINANCIAL RISK MANAGEMENT**

The Fund's financial risk management objectives and policies are consistent with those disclosed in the financial statements as at and for the year ended June 30, 2015.

		(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	Note	----- (Rupees in '000) -----	
<b>5. BALANCE WITH BANKS</b>			
Saving accounts	5.1	923,692	1,376,360
Current account		2,375	6,222
		<u>926,067</u>	<u>1,382,582</u>

- 5.1** These include balances of Rs.4.879 million (June 30, 2015: Rs.1,231.766 million) with MCB Bank Limited (related party) carrying mark-up ranging from 4.00% to 6.25% per annum (June 30, 2015: 5.50% to 9.20% per annum). Other PLS accounts of the Fund carry profit rates from 4.00% to 7.05% per annum (June 30, 2015: 4.50% to 9.85% per annum).

## **6. INVESTMENTS**

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

Pakistan Investment Bonds	6.1	2,170	2,156
Market Treasury Bills	6.1	757,810	247,687
		759,980	249,843

### **Available-for-sale**

Pakistan Investment Bonds	6.2	6,550,891	2,625,986
		<u>7,310,871</u>	<u>2,875,829</u>

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

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

		Face value			Balance as at December 31, 2015			Market value	
	Note	As at July 01, 2015	Purchases during the period	Sales / matured during the period	As at December 31, 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 Bonds									
	6.1.1	1,975	-	-	1,975	2,156	2,170	0.03%	0.03%
Total - December 31, 2015						2,156	2,170		
Total - June 30, 2015						2,024	2,156		
Market Treasury Bills									
	6.1.2	250,000	355,000	605,000	-	-	-	0.00%	0.00%
	6.1.2	-	2,516,900	2,516,900	-	-	-	0.00%	0.00%
	6.1.2	-	5,465,100	4,965,100	500,000	493,757	493,615	5.92%	0.65%
	6.1.2	-	3,570,000	3,300,000	270,000	264,183	264,195	3.17%	0.35%
Total - December 31, 2015						757,940	757,810		
Total - June 30, 2015						247,706	247,687		
Total of investments in Government Securities - December 31, 2015						760,096	759,980		
Total of investments in Government Securities - June 30, 2015						249,730	249,843		

**6.1.1** These Pakistan Investment Bonds have a cost of Rs.2,156 million (June 30, 2015: Rs.2,024 million) and carry interest at the rate of 11.50% (June 30, 2015: 11.50%) per annum. These will mature latest by July 18, 2018 (June 30, 2015: July 18, 2018).

**6.1.2** These Treasury bills have a cost of Rs.750,447 million (June 30, 2015: Rs.247,706 million) and carry effective yield from 6.17% to 6.93% (June 30, 2015: 6.9%) per annum. These will mature latest by November 10, 2016 (June 30, 2015: August 20, 2015).

**6.1.3 Net unrealised (diminution) / appreciation on re-measurement of investments classified as financial assets 'at fair value through profit or loss - held-for-trading'**

		(Un-Audited) December 31, 2015	(Audited) June 30, 2015	Note
		----- (Rupees in '000) -----		
	Carrying value investments	760,096	249,730	6.1
	Market value investments	759,980	249,843	6.1
		<b>(116)</b>	<b>113</b>	

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

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

		Face value			Balance as at 31 December 2015			Market value	
	Note	As at July 01, 2015	Purchases during the period	Sales / matured during the period	As at December 31, 2015	Carrying value ----- (Rupees in '000)	Market value (diminution)	As a percentage of net assets ----- %	As a percentage of total investments
Pakistan Investment Bonds									
	6.2.1	363,770	6,307,300	1,934,900	4,736,170	4,900,607	4,911,419	58.95%	67.18%
	6.2.1	786,550	2,949,200	3,035,000	700,750	731,007	741,140	8.90%	10.14%
	6.2.1	101,000	-	92,000	9,000	9,281	9,311	0.11%	0.13%
	6.2.1	1,219,450	50,000	417,600	851,850	873,276	883,253	10.60%	12.08%
	6.2.1	5,500	-	-	5,500	5,606	5,768	0.07%	0.08%
	<b>Total - December 31, 2015</b>					<b>6,519,777</b>	<b>6,550,891</b>		
	Total - June 30, 2015					2,598,583	2,625,986		
	<b>Total of investments in Government Securities - December 31, 2015</b>					<b>6,519,777</b>	<b>6,550,891</b>		
	Total of investments in Government Securities - June 30, 2015					2,598,583	2,625,986		

**6.2.1** These Pakistan Investment Bonds have a cost of Rs.6,630,675 million (June 30, 2015: Rs.2,598,478 million) and carry interest at the rate of 8.75% to 12.00% (June 30, 2015: 9.6% to 12%) per annum. These will mature latest by June 10, 2024 (June 30, 2015: March 26, 2025).

**7. ACCRUED EXPENSES AND OTHER LIABILITIES**

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015	Note
Provision for Workers' Welfare Fund	42,253	42,253	7.1
Provision for Federal Excise Duty and related taxes on remuneration to Management Company	21,660	14,891	7.2
Provision for Federal Excise Duty and related taxes on sales load	3,003	1,708	
Withholding tax payable	2,758	20,552	
Auditors' remuneration payable	286	368	
Brokerage payable	527	1,199	
Printing related expenses payable	75	97	
	<b>70,562</b>	<b>81,068</b>	

## NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015

### 7.1 Provision for Workers' Welfare Fund

There is no change in the status of the petition pending with the Honourable Sindh High Court (SHC) as reported in note 11.2 to the annual financial statements of the Fund for the year ended June 30, 2015.

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.42.253 million (June 30, 2015: Rs.42.253 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 Re.0.28 per unit (0.50%) (June 30, 2015: Re.0.70 per unit (1.31%)).

### 7.2 Federal Excise Duty on Remuneration of Management Company

There is no change in the status of petition with SHC as reported in note 11.1 to the annual financial statements of the Fund for the year ended June 30, 2015. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the NAV of the Fund would have been higher by Re.0.14 per unit as at December 31, 2015 (0.25%) (June 30, 2015: Re.0.25 per unit (0.47%)).

## 8. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments as at December 31, 2015 except as disclosed in note 10 of these condensed interim financial statements.

## 9. EXPENSES ALLOCATED BY THE MANAGEMENT COMPANY AND RELATED SALES TAX

The SECP via SRO 1160 dated November 25, 2015 amended clause 60 of NBFC Regulations, 2008. The said clause entitled the Management Company to reimbursement of fees and expenses related to registrar services, accounting, operation and valuation services related to CIS upto a maximum of 0.1% of average annual net assets of the scheme or actual whichever is less.

## 10. SINDH SALES TAX ON REMUNERATION OF THE TRUSTEE

The Sindh Revenue Board through Circular No. SRB 3-4/TP/01/2015/86554 dated June 13, 2015 has amended the definition of services of shares, securities and derivatives and included custodianship services as well. Accordingly, Sindh Sales Tax of 14% on such services is also chargeable on Trustee fee which is now covered under the section 2(79A) of the Sindh Finance Bill, 2010 amended upto 2015.

## 11. TAXATION

11.1 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 in cash amongst the unit holders. The Management Company intends to distribute not less than 90% of its annual accounting income in cash, if any, to comply with the above clause at year end. Accordingly, no tax provision has been made in these condensed interim financial statements for the half year ended December 31, 2015.

11.2 There is no change in the status of appeal pending with the Commissioner (Appeals) as reported in note 14.2 to the annual financial statements of the Fund for the year ended June 30, 2015.

## 12. 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.

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

**13. TRANSACTIONS WITH CONNECTED PERSONS / 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 financial statements, are as follows:

	----- Un-audited -----			
	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
<b>Transactions during the period:</b>				
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>				
Remuneration of the Management Company including indirect taxes	49,095	28,048	29,348	16,739
Expenses allocated by Management				
Company and related sales tax	1,041	-	1,041	-
Legal and professional charges	2	-	2	-
Issue of 9,733,233 units (2014: 5,113,215) and 1,225,159 units (2014: 4,624,265) for the half year and quarter ended respectively	527,000	271,287	67,000	246,287
Redemption of 4,579,339 units (2014: 2,092,773) and 2,131,570 units (2014: 2,092,773) for the half year and quarter ended respectively	249,277	109,600	117,277	109,600
<b>Central Depository Company of Pakistan Limited - Trustee</b>				
Remuneration including sales tax	3,698	1,698	2,157	993
<b>Habib Metropolitan Bank Limited - Trustee (Formerly)</b>				
Profit on bank deposits	-	136	-	47
Bank charges	-	165	-	119
Redemption of Nil units (2014: 169,339) and Nil units (2014: 169,339) for the half year and quarter ended respectively	-	9,024	-	9,024
<b>Group / Associated Companies</b>				
<b>Arif Habib Limited</b>				
Brokerage expense *	21	2	8	1
<b>Next Capital</b>				
Brokerage expense *	154	-	29	-
<b>Summit Capital (Pvt.) Limited</b>				
Brokerage expense *	8	-	8	-
<b>MCB Bank Limited</b>				
Profit on bank deposits	2,510	5,865	184	4,097
Bank charges	57	20	34	12



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	----- Un-audited -----			
	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
<b>Adamjee Insurance Company Limited</b>				
Issue of 16,283,742 units (2014: 18,689,835) and Nil units (2014: 11,301,466) for the half year and quarter ended respectively	<b>870,529</b>	985,890	-	610,890
Redemption of Nil units (2014: 6,411,244) and Nil units (2014: 1,932,741) for the half year and quarter ended respectively	-	325,000	-	100,000
<b>Adamjee Life Assurance Company Limited - Employees Provident Fund</b>				
Issue of 1,521,455 units (2014: 1,383,832) and 1,521,455 units (2014: 1,383,832) for the half year and quarter ended respectively	<b>84,060</b>	75,000	<b>84,060</b>	75,000
Redemption of 1,521,455 units (2014: Nil) and 1,521,455 units (2014: Nil) for the half year and quarter ended respectively	<b>84,060</b>	-	<b>84,060</b>	-
<b>Adamjee Life Assurance Company Limited - IMF</b>				
Issue of Nil units (2014: 580,720) and Nil units (2014: 580,720) for the half year and quarter ended respectively	-	30,000	-	30,000
<b>Adamjee Life Assurance Company Limited - ISF</b>				
Issue of 2,909,620 units (2014: 2,083,635) and 2,909,620 units (2014: 2,083,635) for the half year and quarter ended respectively	<b>160,000</b>	108,000	<b>160,000</b>	108,000
<b>Adamjee Life Assurance Company Limited - ISF II</b>				
Issue of 315,399 units (2014: 946,491) and Nil units (2014: 946,491) for the half year and quarter ended respectively	<b>17,000</b>	50,000	-	50,000
Redemption of 655,152 units (2014: 58,856) and 655,152 units (2014: 58,856) for the half year and quarter ended respectively	<b>36,000</b>	3,200	<b>36,000</b>	3,200
<b>Adamjee Life Assurance Company Limited - NUIL</b>				
Issue of Nil units (2014: 1,428,968) and Nil units (2014: 1,428,968) for the half year and quarter ended respectively	-	74,500	-	74,500
<b>Suraj Cotton Mills Limited **</b>				
Issue of Nil units (2014: 3,758,859) and Nil units (2014: 3,758,859) for the half year and quarter ended respectively	-	200,835	-	200,835
<b>Habib Sugar Mills Limited **</b>				
Issue of Nil units (2014: 18,719,583) and Nil units (2014: 18,719,583) for the half year and quarter ended respectively	-	1,000,000	-	1,000,000

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	----- Un-audited -----			
	Half year ended		Quarter ended	
	December 31, 2015	December 31, 2014	December 31, 2015	December 31, 2014
	----- (Rupees in '000) -----			
<b>Gul Ahmed Energy Limited **</b>				
Issue of Nil units (2014: 10,701,488) and Nil units (2014: 10,701,488) for the half year and quarter ended respectively	-	566,138	-	566,138
Redemption of Nil units (2014: Nil) and Nil units (2014: Nil) for the half year and quarter ended respectively	-	493,625	-	493,625
<b>D.G. Khan Cement Company Limited</b>				
Issue of 18,304,961 units (2014: Nil) and 18,304,961 units (2014: Nil) for the half year and quarter ended respectively	1,000,000	-	1,000,000	-
Redemption of 18,304,961 units (2014: Nil) and 18,304,961 units (2014: Nil) for the half year and quarter ended respectively	1,009,336	-	1,009,336	-
<b>Mandate under Discretionary Portfolio Services</b>				
Issue of 2,547,056 units (2014: 660,949) and 926,809 units (2014: 318,565) for the half year and quarter ended respectively	137,668	34,609	50,968	16,993
Redemption of 2,318,026 units (2014: 435,777) and 2,318,026 units (2014: 342,384) for the half year and quarter ended respectively	127,406	22,831	127,406	18,068
<b>Key Management Personnel</b>				
Issue of 63,677 units (2014: 160,305) and 8,179 units (2014: 160,305) for the half year and quarter ended respectively	3,450	8,548	450	8,548
Redemption of 90,278 units (2014: 155,502) and 29,063 units (2014: 150,553) for the half year and quarter ended respectively	4,904	8,301	1,589	8,051
<p>* The amount disclosed represents the amount of brokerage paid 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.</p>				
<p>** Unit holding as at December 31, 2015 is less than 10%</p>				
			(Un-Audited) December 31, 2015	(Audited) June 30, 2015
			----- (Rupees in '000) -----	
<b>Amount outstanding as at period / year end:</b>				
<b>MCB-Arif Habib Savings and Investments Limited - Management Company</b>				
Remuneration payable to Management Company			7,640	4,994
Sales tax payable on remuneration to Management Company			1,070	748
Sales load payable including related taxes			2,214	2,448
Legal and professional charges payable			-	100
Expenses allocated by Management				
Company and related sales tax			1,041	-
5,153,894 units held (2015: Nil units)			284,804	-

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

	(Un-Audited) December 31, 2015	(Audited) June 30, 2015
	----- (Rupees in '000) -----	
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration payable	665	462
Sales tax on remuneration	93	-
<b>Group / Associated Companies</b>		
<b>Adamjee Insurance Company Limited</b>		
16,283,742 units held (2015: Nil units)	899,840	-
<b>Adamjee Insurance Company Limited - Employees Provident Fund</b>		
1,521,455 units held (2015: 1,521,455 units)	84,076	80,728
<b>Adamjee Life Assurance Company Limited - IMF</b>		
376,932 units held (2015: 376,932 units)	20,829	20,000
<b>Adamjee Life Assurance Company Limited - ISF</b>		
7,749,008 units held (2015: 4,839,388 units)	428,210	256,778
<b>Adamjee Life Assurance Company Limited - ISF II</b>		
1,873,586 units held (2015: 2,213,339 units)	103,534	117,440
<b>Adamjee Life Assurance Company Limited - NUIL</b>		
3,462,102 units held (2015: 3,462,102 units)	191,316	183,699
<b>MCB Bank Limited</b>		
Bank balance	4,879	1,213,765
Profit receivable on deposit accounts	181	1,885
<b>Next Capital</b>		
Brokerage expense payable	17	-
<b>Summit Capital (Pvt.) Limited</b>		
Brokerage expense payable	8	-
<b>Mandate under discretionary portfolio services</b>		
3,996,190 units held (2015: 3,767,160 units)	220,829	199,886
<b>Key Management Personnel</b>		
173,235 units held (2015: 199,836 units)	9,573	7,126

**14. FAIR VALUE OF FINANCIAL INSTRUMENTS**

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED)  
FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2015**

----- As at December 31, 2015 -----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>ASSETS</b>				
Held-for-trading	-	759,980	-	759,980
Available-for-sale	-	6,550,891	-	6,550,891
	-	7,310,871	-	7,310,871

----- As at June 30, 2015 -----				
	Level 1	Level 2	Level 3	Total
	----- (Rupees in '000) -----			
<b>ASSETS</b>				
Held-for-trading	-	249,843	-	249,843
Available-for-sale	-	2,625,986	-	2,625,986
	-	2,875,829	-	2,875,829

**15. DATE OF AUTHORIZATION FOR ISSUE**

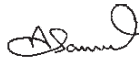
These condensed interim financial statements were authorised for issue on February 04, 2016 by the Board of Directors of the Management Company.

**16. 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)

  
\_\_\_\_\_  
Director

  
\_\_\_\_\_  
Director

As the approval of the appointment of the Chief Executive Officer from the Securities and Exchange Commission of Pakistan is awaited, these condensed interim financial statements have been signed by two directors authorised in this behalf by the Board of Directors of the Management Company.

Please find us on



by typing: **Bachat Ka Doosra Naam**

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

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