

# Quarterly Report

September 30, 2014  
(Unaudited)



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

**METROBANK**  
**PAKISTAN SOVEREIGN FUND**

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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 Operating Officer</b>	Mr. Muhammad Saqib Saleem	
<b>Chief Financial Officer</b>	Mr. Umair Ahmed	
<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 Haidi & Co. Chartered Accountants 1st Floor, Sheikh Sultan Trust Building No. 2, Beaumont Road, Karachi-75530.	
<b>Legal Advisor</b>	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>	AM2 - Management Quality Rating assigned by PACRA	

# REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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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 first quarter ended September 30th 2014.

## ECONOMY AND MONEY MARKET OVERVIEW

Delay in implementation of fiscal reforms and phasing out of subsidies on tariffs, in the presence of lower commodity prices, helped contain inflation, with CPI averaging at 7.52% during 1QFY15. If oil prices, which eased down to a five-year low in October, stays at the current level, inflation is likely to remain on the lower side during FY15.

Surge in imports, mainly petroleum products, along with a slowdown in exports, widened the country's current account deficit to \$1.37 billion during 2MFY15, significantly higher than the deficit of around \$0.58 billion incurred during the same period last fiscal year. Poor law and order situation and energy crisis are the major culprits behind negative growth in exports. At the same time, financial account registered a surplus of \$0.45 billion as compared to a surplus of \$0.19 billion recorded during the corresponding period last year. Improvement in financial account is mainly due to sell-off of financial assets abroad.

The recent political disruption has stalled progress on the completion of economic and fiscal targets set by International Monetary Fund. This along with wide current account deficit and absence of foreign inflows contributed to a drop in foreign reserves to \$13.21 billion as on 26-Sep-14, after touching a high of \$14.6 billion in July. Therefore, the local currency fell by more than 3.2 percent against dollar during 1QFY15.

Although, the government is optimistic on the economic front on the back of tepid inflationary pressures, contained government borrowings and improved debt profile, fragile political situation in the country has been forcing the policy makers to err on the side of caution to arrest decline in foreign reserves. This is evident from the recent monetary policy announcement in which policy makers kept the discount rate unchanged at around 10 percent.

On the heels of structural reforms, the country's performance on the fiscal side improved in FY14 as the country recorded a fiscal deficit of 5.5 percent lower than the year's target of 6.3 percent and the previous year's level of 8.8 percent (included one-off adjustment for circular debt). The major improvement in fiscal account came on the account of abnormal increase in Non-Tax revenue and restrained development expenditures.

In the money market, short term market rates remained on the higher side amid tight liquidity in the system. M2 has contracted by 1.52 percent in the 1QFY15 (till 26th Sep) as opposed to the contraction of 0.65 percent during the same period last year. While Borrowing from SBP increased marginally by Rs19 billion as compared to net increase in borrowing of around Rs 444.7 billion during the same period last year.

PIB rates inched up, as the government looks to move its borrowing from central bank to commercial banks, causing the yield curve to rise sharply upwards from 2 years. Moreover, unprecedented participation was seen with major concentration in a 2-year instrument. The rates are on slightly longer end, albeit higher have shown a rising trend despite controlled inflation because of unprecedented supply.

## FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 11.18% as against its benchmark return of 9.61%. The fund remained significantly invested in PIBs throughout the period with a focus on keeping its portfolio duration at a stable in order to capitalize on the stable interest rates scenario. At quarter-end, the fund was 19.2% invested in Treasury Bills, 72.6% in PIBs, no exposures in GOP Ijara Sukuk while the rest in cash and other assets.

The Net Asset of the Fund as at September 30, 2014 stood at Rs. 3,390 million as compared to Rs 2,496 million as at June 30 2014 registering an increase of 35.82%.

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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The Net Asset Value (NAV) per unit as at September 30, 2014 was Rs. 51.45 per unit as compared to opening NAV of Rs. 50.04 per unit as at June 30, 2014 registering an increase of Re. 1.41 per unit.

### FUTURE OUTLOOK

The country's import bill is likely to ease off after a lag of few months on the account of lower oil prices. Conversely, weak cotton prices might annul the benefit arising from lower oil prices on the country's trade balance. Although the government is eyeing increase in foreign inflows through pledges made by multilateral agencies, approved project financing and divestment of strategic assets, improvement in reserve position largely hinges on the country's political condition. In the near-term, realization of expected inflows-through divestment of shares of OGDCL and HBL and issuance of dollar-denominated Sukuks would be crucial.

We believe that the sustainability of external account, in the presence of subdued inflationary pressures, would be a key factor in shaping up interest rate direction. Lower commodity price, in the presences of stable local currency and higher base effect, is likely to keep inflationary pressure on the lower side during the year.

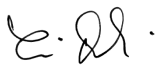
With the market expecting interest rates to remain stable and oil prices lower, profitability of power intensive companies such as: Textile and Cement are expected to improve. On the contrary, lower oil prices bode ill for Exploration and Production and Oil Marketing Companies.

In the face of stable fundamentals and better expectation of financial results of manufacturing companies, we expect the bourse to remain range bound in short term amid lack of clarity on the future of the current government. Above all, the equity market will continue to attract foreign investors owing to divestment of the government's holding in the listed companies and increase in the country's weight in MSCI FM Index.

### 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  
October 20, 2014

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES

## AS AT 30 SEPTEMBER 2014

	(Un-Audited) September 30, 2014	(Audited) June 30, 2014
<i>Note</i>	30, 2014	2014
	(Rupees in '000)	
<b>Assets</b>		
Balances with banks	220,003	684,905
Investments	4. 3,156,831	1,762,472
Profit receivable	59,587	91,369
Advances and prepayments	2,024	2,055
<b>Total assets</b>	<b>3,438,445</b>	<b>2,540,801</b>
<b>Liabilities</b>		
Payable to Management Company	4,705	3,160
Payable to Central Depository Company of Pakistan Limited - Trustee	254	213
Payable to Securities and Exchange Commission of Pakistan	516	894
Accrued expenses and other liabilities	5. 42,964	40,073
<b>Total liabilities</b>	<b>48,439</b>	<b>44,340</b>
<b>Net assets</b>	<b>3,390,006</b>	<b>2,496,461</b>
<b>Unit holders' fund</b>	<b>3,390,006</b>	<b>2,496,461</b>
	(Number of units)	
<b>Number of units in issue</b>	<b>65,891,224</b>	<b>49,885,250</b>
	(Rupees)	
<b>Net assets value per unit</b>	<b>51.45</b>	<b>50.04</b>

The annexed notes from 1 to 9 form an integral part of these financial statements.

  
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Chief Executive Officer

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

  
\_\_\_\_\_  
Director

**CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED)**  
**FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	<i>Note</i>	<b>September 30, 2014</b>	September 30, 2013
		(Rupees in '000)	
<b>Income</b>			
Income from government securities		72,959	23,462
Capital (loss) on sale of government securities		(2,403)	(9,305)
Income from reverse repurchase transactions of government securities		-	48
Profit on bank deposits		<u>2,880</u>	<u>1,467</u>
		73,436	15,672
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'		<u>16,327</u>	(992)
<b>Total income</b>		89,763	14,680
<b>Expenses</b>			
Remuneration of Management Company		8,478	2,547
Sindh Sales tax and Federal Excise Duty on Management Fee		2,831	408
Remuneration of Central Depository Company of Pakistan Limited - Trustee		705	386
Annual fee to Securities and Exchange Commission of Pakistan		516	197
Brokerage expenses		308	96
Auditor's remuneration		198	226
Other expenses		163	147
<b>Total expenses</b>		13,199	4,007
<b>Net operating income for the period</b>		76,564	10,673
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		14,938	(1,339)
Provision for workers' welfare fund	5.2	(1,830)	(187)
<b>Net income for the period before taxation</b>		89,672	9,147
Taxation	6.	-	-
<b>Net income for the period after taxation</b>		89,672	9,147
<b>Other comprehensive income:</b>			
Net unrealised appreciation in investments classified as 'available for sale'		2,481	-
<b>Total comprehensive income for the period</b>		92,153	9,147
<b>Earnings per unit</b>	7.		

The annexed notes from 1 to 9 form an integral part of these financial statements.

  
 Chief Executive Officer

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

  
 Director



# CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
<b>Undistributed income brought forward:</b>	<b>2,194</b>	34,174
Total comprehensive income for the period	<b>92,153</b>	9,147
Net element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution)	<b>1,095</b>	-
<i>Distributions:</i>		
Final distribution for the year ended 30 June 2013 at the rate of Rs. 1.38 per unit		
- Issue of bonus units	-	(34,119)
Interim distribution for the period ended 30 September 2013 at Rs 0.53 per unit [distributed on 27 September 2012]		
- Bonus units	-	(8,696)
	-	(42,815)
<b>Undistributed income carried forward</b>	<b>95,442</b>	506

The annexed notes from 1 to 9 form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
Net assets at beginning of the period	2,496,461	1,270,388
Issue of 22,134,302 units (2013: 232,678 units)	1,125,635	11,647
Issue of Nil bonus unit (2013: 856,303 bonus units)	-	42,815
Redemption of 6,128,328 units (2013: 9,247,476 units)	(309,304)	(463,725)
	816,330	(409,263)
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed:		
- amount representing accrued (income) / loss and realised capital (gains) / losses transferred to the Income Statement	(14,938)	1,339
- amount representing unrealised capital (gains) / losses transferred to the Distribution Statement	(1,095)	-
	(16,033)	1,339
Net element of (income) and capital (gains) included in prices of units issued less those in units redeemed - transferred to distribution statement	1,095	-
Net income for the period (excluding net unrealised appreciation / diminution on re-measurement of investments classified as 'at fair value through profit or loss' and capital gain on sale of investments)	75,748	19,444
Capital (loss) on sale of investments	(2,403)	(9,305)
Net unrealised appreciation / (diminution) on re-measurement of investments classified as 'at fair value through profit or loss'	16,327	(992)
Net unrealised appreciation in fair value of investments classified as 'at available-for-sale'	2,481	-
	92,153	9,147
Distribution during the period	-	(42,815)
<b>Net assets at end of the period</b>	<b>3,390,006</b>	<b>828,796</b>

The annexed notes from 1 to 9 form an integral part of these financial statements.

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

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

  
\_\_\_\_\_  
Director

# CONDENSED INTERIM CASH FLOW STATEMENT (UN-AUDITED)

## FOR THE QUARTER ENDED SEPTEMBER 30, 2014

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	89,672	9,147
<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'	(16,327)	992
Net element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(14,938)	1,339
	(31,265)	2,331
<b>(Increase) / decrease in assets</b>		
Investments	(1,375,552)	573,942
Profit receivable	31,782	12,669
Advances and prepayments	31	27
	(1,343,739)	586,638
<b>Increase / (decrease) in liabilities</b>		
Payable to Management Company	1,545	(1,879)
Payable to Central Depository Company of Pakistan Limited - Trustee	41	(94)
Payable to Securities and Exchange Commission of Pakistan	(378)	(3,651)
Payable against purchase of Investments	-	(174,013)
Accrued expenses and other liabilities	2,891	848
	4,099	(178,789)
<b>Net cash (used in) / generated from operating activities</b>	(1,281,233)	419,327
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Receipts from issuance of units	1,125,635	11,647
Payments against redemption of units	(309,304)	(463,725)
Cash distribution	-	-
<b>Net cash generated / (used in) from financing activities</b>	816,330	(452,078)
<b>Net (decrease) in cash and cash equivalents during the period</b>	(464,902)	(32,751)
Cash and cash equivalents at the beginning of the period	684,905	195,220
<b>Cash and cash equivalents at the end of the period</b>	220,003	162,469

The annexed notes from 1 to 9 form an integral part of these financial statements.

  
**Chief Executive Officer**

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

  
**Director**

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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## 1. LEGAL STATUS AND NATURE OF BUSINESS

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)].

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.

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.

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 .

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.

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.

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.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' to the MCB-Arif Habib Savings and Investments Limited, the Asset Management Company and has assigned stability rating of "AA- (f)" (Double A minus ; 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**

MetroBank - Pakistan Sovereign Fund - (December 2012)  
MetroBank - Pakistan Sovereign Fund - (December 2007)  
MetroBank - Pakistan Sovereign Fund - (December 2005)  
MetroBank - Pakistan Sovereign Fund - (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.

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

## 2. BASIS OF PRESENTATION

### 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.

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.

This condensed interim financial information is unaudited. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'. The Directors of the management company declare that this condensed interim financial information give a true and fair view of the Fund.

### 2.2 Basis of measurement

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

### 2.3 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

The accounting policies and methods of computation followed in 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.

## 4. INVESTMENTS

		(Unaudited) 30 September 2014	(Audited) 30 June 2014
		----- (Rupees in '000) -----	
<b>4.1</b>	<b><i>'At fair value through profit or loss' - held for trading</i></b>		
	Pakistan investment bonds	4.1.1 2,241,386	1,189,794
	Market treasury bills	4.1.1 661,050	24,659
		<u>2,902,436</u>	<u>1,214,453</u>
<b>4.2</b>	<b><i>Available-for-Sale</i></b>		
	Pakistan investment bonds	4.2.1 254,395	548,019
		<u>254,395</u>	<u>548,019</u>
		<u><u>3,156,831</u></u>	<u><u>1,762,472</u></u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

## 4.1 'Investments at fair value through profit or loss'

### 4.1.1 Government Securities

Issue date	Face value			Balance as at 30 September 2014			Market value	
	As at 1 July 2014	Purchases during the period	Sales / Matured during the period	As at 30 Sept 2014	Cost	Market value	as a percentage of net assets	as a percentage of total investments
----- (Rupees in '000) -----								
<b>Pakistan Investment Bond 'at fair value through profit or loss'</b>								
PIB - 3 years	1,200,000	1,940,000	882,000	2,258,000	2,224,977	2,241,386	66.12	71.00
<b>Totals - September 30, 2014</b>					<u>2,224,977</u>	<u>2,241,386</u>		
Totals - June 30, 2014					<u>1,190,245</u>	<u>1,189,794</u>		<u>(451)</u>
<b>Market Treasury Bills</b>								
Treasury bills - 3 months	25,000	923,000	684,700	263,300	262,731	262,713	7.75	8.32
Treasury bills - 6 months	-	400,000	-	400,000	398,402	398,337	11.75	12.62
<b>Totals - September 30, 2014</b>					<u>661,133</u>	<u>661,050</u>		<u>(83)</u>
Totals - June 30, 2014					<u>24,660</u>	<u>24,659</u>		<u>(1)</u>

## 4.2 'Investments classified as available for sale'

### 4.2.1 Government Securities

Issue date	Face value			Balance as at 30 September 2014			Market value	
	As at 1 July 2014	Purchases during the period	Sales / Matured during the period	As at 30 Sept 2014	Cost	Market value	as a percentage of net assets	as a percentage of total investments
----- (Rupees in '000) -----								
<b>Pakistan Investment Bond 'available-for-sale'</b>								
PIB - 3 years	555,500	-	300,000	255,500	251,738	254,395	7.50	8.06
<b>Totals - September 30, 2014</b>					<u>251,738</u>	<u>254,395</u>		<u>2,657</u>
Totals - June 30, 2014					<u>547,849</u>	<u>548,019</u>		<u>170</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

5. ACCRUED EXPENSES AND OTHER LIABILITIES		(Un-Audited) September 30, 2014	(Audited) June 30, 2014
			(Rupees in '000)
Auditors' remuneration payable		157	364
Brokerage payable		126	265
Provision for Federal Excise Duty and related taxes	5.1	4,035	2,567
Provision for Workers' Welfare Fund	5.2	38,492	36,662
Others		154	215
		<u>42,964</u>	<u>40,073</u>

**5.1** 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% on the services rendered by assets management companies. In this regard, a Constitutional Petition has been filed by certain Collective Investment Schemes (CISs) through their trustees in the Honourable Sindh High Court (SHC), challenging the levy of Federal Excise Duty on Asset Management Company services after the passage of eighteenth amendment. The SHC in its short order dated 4 September 2013 directed the Federal Board of Revenue (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 information aggregating to Rs. 4.035 million as at 30 September 2014. In case, the suit is decided against the Fund it would be paid to Management as at 30 September 2014. In case, the suit is decided against the Fund it would be paid to Management Company, who will be responsible for submitting the same to taxation authorities. Had the said provision of FED and related taxes not been recorded in the books of account of the Fund, the Net Assets Value (NAV) of the Fund would have been higher by Re. 0.06 per unit.

**5.2** 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.

On 15 July 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on 14 December 2010, the Ministry filed its response against the Constitutional Petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year ended 30 June 2012, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006 and the Finance Act, 2008 has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions filed by companies other than mutual funds declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, do not suffer from any constitutional or legal infirmity.

However, as per advice of legal counsel the stay granted to CIS remains intact and the constitution petitions filed by the CIS to challenge the WWF contribution have not been affected by the SHC judgment.

## **NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

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The Management company, as a matter of abundant precaution, has decided to retain the entire provision for WWF in these financial statements.

During the quarter the Fund charged Rs.1.83 million on account of WWF. The aggregate amount of WWF charged as on September 30, 2014 is Rs. 38.492 million. If the same were not made the NAV of the fund would have been higher by Rs. 0.58 per unit.

### **6. TAXATION**

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 by way of cash dividend. Furthermore, as per regulation 63 of the Non-Banking Finance Companies and Notified Entities Regulation, 2008, the fund is required to distribute 90% of the net accounting income other than unrealised capital gains to the unit holders. The Fund is also exempt from the provision of Section 113 (minimum tax) under clause 11A of Part IV of the Second Schedule to the Income Tax Ordinance 2001. Since the management intends to distribute the income earned by the Fund during the year to the unit holders in the manner as explained above accordingly no provision for taxation has been made in these financial statements.

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) which was decided in fund's favor. However, as a matter of abundant caution the fund has also obtained stay against the said orders.

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. Therefore, no provision is required to be made in these financial statements.

### **7. EARNINGS PER UNIT**

Earnings per unit has not been disclosed as in the opinion of the management, determination of weighted average number of units for calculating earnings per unit is not practicable.

### **8. TRANSACTIONS WITH CONNECTED PERSONS / RELATED PARTIES**

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

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

Remuneration payable to the Management Company and the Trustee is determined in accordance with the provisions of the NBFC Regulations, 2008 and the Trust Deed respectively.



# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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

	September 30, 2014	September 30, 2013
	(Rupees in '000)	
<b>MCB Arif Habib Savings and Investment Limited</b>		
Remuneration to the Management Company (including indirect taxes)	<u>11,309</u>	<u>2,955</u>
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Remuneration of the Trustee	<u>705</u>	<u>386</u>
<b>Habib Metropolitan Bank Limited</b>		
Profit on bank deposits	<u>89</u>	<u>34</u>
Bank charges	<u>46</u>	<u>43</u>
<b>MCB Bank Limited</b>		
Profit on bank deposits	<u>1,768</u>	<u>59</u>
Bank charges	<u>8</u>	<u>2</u>

## 8.2 Balance outstanding as at the period end are as follows:

	September 30, 2014	June 30, 2014
	(Rupees in '000)	
<b>MCB Arif Habib Savings and Investment Limited</b>		
Management fee payable	<u>3,272</u>	<u>2,086</u>
Sindh sales tax payable on management fee	<u>491</u>	<u>334</u>
Sales load payable	<u>942</u>	<u>740</u>
<b>Central Depository Company of Pakistan Limited</b>		
Remuneration payable	<u>254</u>	<u>213</u>
<b>Habib Metropolitan Bank Limited</b>		
Bank deposits	<u>1,685</u>	<u>165,263</u>
Profit receivable	<u>6</u>	<u>40</u>
<b>MCB Bank Limited</b>		
Bank deposits	<u>5,121</u>	<u>4,497</u>
Profit receivable	<u>661</u>	<u>85</u>

# NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2014

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

	For the period ended 30 Sep 2014		For the period ended 30 Sep 2013	
	Units	(Rupees in '000)	Units	(Rupees in '000)
<b>Units sold to:</b>				
MCB Arif Habib Savings and Investment Limited	488,950	25,000	-	-
Adamjee Insurance Company Limited - Investment Department	7,388,369	375,000	-	-
Attock Cement Pakistan Limited	3,969,110	200,000	-	-
Pakistan Petroleum Limited	3,893,323	200,000	-	-
Gul Ahmed Energy Limited	982,704	50,000	-	-
Mandate under Discretionary Portfolio Services	342,384	17,616	-	-
<b>Bonus units issued to:</b>				
MCB Arif Habib Savings and Investment Limited	-	-	25,233	1,262
Adamjee Insurance Company Limited - Investment Department	-	-	188,875	9,444
Key management personnel	-	-	1,668	87
<b>Units redeemed by:</b>				
MCB Arif Habib Savings and Investment Limited	-	-	494,592	25,000
Adamjee Insurance Company Limited - Investment Department	4,478,503	225,000	-	-
Key management personnel	4,949	250	8,205	410
Mandate under Discretionary Portfolio Services	93,393	4,763	-	-

## 8.4 Balance outstanding as at the period end are as follows:

	30 Sep 2014	30 June 2014	30 Sep 2014	30 June 2014
	Units		(Rupees in '000)	
<b>Units held by:</b>				
MCB Arif Habib Savings and Investment Limited	2,058,094	1,569,144	105,889	78,520
Habib Metropolitan Bank Limited	4,595,286	4,595,286	236,427	229,948
Adamjee Insurance Company Limited - Investment Department	13,067,469	10,157,603	672,321	508,286
Adamjee Life Assurance Company Limited (IMF)	666,090	666,090	34,270	33,331

**NOTES TO THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2014**

	<b>30 Sep 2014</b>	<b>30 June 2014</b>	<b>30 Sep 2014</b>	<b>30 June 2014</b>
	<b>Units</b>		<b>(Rupees in '000)</b>	
Adamjee Life Assurance Company Limited (ISF)	<b>1,884,598</b>	1,884,598	<b>96,963</b>	94,305
Adamjee Life Assurance Company Limited (ISF-II)	<b>774,837</b>	774,837	<b>39,865</b>	38,773
Adamjee Life Assurance Company Limited - NUIL Fund	<b>1,705,353</b>	1,705,353	<b>87,740</b>	85,336
Attock Cement Pakistan Limited	<b>3,969,110</b>	-	<b>204,211</b>	-
Pakistan Petroleum Limited	<b>3,893,323</b>	-	<b>200,311</b>	-
Gul Ahmed Energy Limited	<b>6,075,500</b>	5,092,796	<b>312,584</b>	254,844
Jubilee General Insurance Company Limited	<b>3,046,282</b>	3,046,282	<b>156,731</b>	152,436
Key management personnel	<b>77,848</b>	82,797	<b>4,005</b>	4,143
Mandate under Discretionary Portfolio Services	<b>342,383</b>	93,392	<b>17,616</b>	4,673

**9. DATE OF AUTHORISATION FOR ISSUE**

These financial statements were authorised for issue on October 20, 2014 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**

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

**Head Office:** 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

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UAN: 111-468-378 (111-INVEST): Karachi, Lahore, Islamabad & Multan.

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