

PAKISTAN CASH MANAGEMENT FUND CONTENTS

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PAKISTAN CASH MANAGEMENT FUND FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi
Board of Directors of the Management Company	Mian Mohammad Mansha Chairman(subject to the approval of SECP) Mr. Nasim Beg Executive Vice Chairman Mr. Yasir Qadri Chief Executive (subject to the approval of SECP) Syed Salman Ali Shah Director (subject to the approval of SECP) Mr. Haroun Rashid Director (subject to the approval of SECP) Mr. Ahmed Jahangir Director (subject to the approval of SECP) Mr. Samad A. Habib Director Mr. Mirza Mahmood Ahmad Director (subject to the approval of SECP)
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir
Trustee	Habib Metropolitan Bank Ltd. 8th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.
Bankers	Habib Metropolitan Bank Ltd. Bank Alfalah Limited Standard Chartered Bank (Pakistan) Limited
Auditors	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530
Registrar	Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.
Rating	AAA (f) Stability Rating AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA

PAKISTAN CASH MANAGEMENT FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The Board of Directors of Arif Habib Investment Limited, the Management Company of Pakistan Cash Management Fund (PCF), is pleased to present the Annual Report on the affairs of PCF for the year ending 30th June, 2011.

Economy and Money Market Overview

Despite continued macro-economic challenges throughout the period, the year under review (July '10-June '11) was not as turbulent as it was expected to be due to concerns over payments from foreign donor agencies and devastation caused by floods throughout the country. Record-high levels of remittances and cotton prices saved the day and kept external account position under control.

During the year, exports rose to US\$ 25.4 billion, 29% higher on a YoY basis, reducing the trade deficit to around US\$ 10.3 billion, 11% lower YoY. In addition to contained trade deficit, record-high level of workers' remittances flow has taken the current account balance to a surplus of US\$ 437 million, for the first time after FY04. Despite meager financial account flows, country's balance of payment position improved significantly during the year by around US\$ 2.5 billion - taking the FX reserves to a record level of US\$ 18.2 billion, consequently keeping PKR-USD exchange rate largely stable during the year.

Post-flood, inflationary pressures have risen significantly amidst supply-side issues as well as phasing out of power subsidies, CPI inflation averaged higher at around 14.6% during 1H FY11. Due to relatively lower food inflation as well as no major electricity pass-through during the latter half, CPI inflation averaged at a lower level of 13.3% - taking the average FY11 inflation to 13.9%. Real economy, however, did not have much to show with Real GDP growth stood at a paltry 2.4%, much lower than the target. Loss in agriculture produce because of floods caused a major dent towards country's economic growth during the period under review. Services sector, however, was able to provide some support with a growth of 4.1%, bringing the overall GDP growth to 2.4%.

Fiscal indiscipline has remained a cause of concern for the economic managers as the country is expected to witness yet again a deficit of over 6% of the GDP during FY11. Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 783 billion, 4.3% of the revised GDP. Slower growth in revenue collection coupled with higher current expenditure has been the chief reason behind ballooning fiscal deficit. Unfortunately, development expenditure is expected to be under-spent for yet another year to meet revised fiscal deficit targets. In addition of having a higher fiscal deficit, the financing mix is also alarming as the country had to resort to domestic sources of funding to a large extent in the absence of sizeable foreign flows during the period under review.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Citing the deteriorating macroeconomic fundamentals during the 1H FY11 mainly in the backdrop of floods, the SBP raised its policy discount rate cumulatively by 150 bps to 14.0%. However, gradual improvement towards external account through remittances and increased textile exports as well as lower levels of government borrowing from SBP has compelled the central bank to keep its policy DR unchanged for the next 3 policies during 2H FY11. Due to an overall higher interest rate environment, 1 year PKRV averaged at around 13.4% during FY11, much higher than the average 12.2% a year ago.

During FY11, key monetary indicators have also been better as compared to that of last year with money supply (M2) posting a strong growth of 15.9%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY growth of 43% in Net Foreign Assets (NFA) has been commendable - also reflecting strong BOP position.

In absence of foreign donor payments coming through, government's need to borrow continues to be a barrier in way of significant drop in interest rates or growth in credit.

Future outlook

Citing contained inflationary pressures, strong external account position and lower levels of government borrowing from SBP, the central bank decided to lower its policy discount rate by 50 bps to 13.5% in its Jul'11 monetary policy review.

We believe that the materialization of sizeable foreign inflows will continue to be the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. Going forward, liquidity and interest rate direction will be largely dependent on the magnitude and sources of fiscal funding. In the absence of foreign flows, greater reliance will be on domestic sources - which could rebound inflation and interest rates.

Fund's Performance

During the year, the net assets of the fund grown significantly to around PKR 2.7 billion as on June 30th, 2011. The investment objective of the fund is to deliver regular income and provide high level of liquidity primarily from short duration government securities investments. The fund is benchmarked against 3-month PKRV. The fund, through active management and carefully selected trading positions was able to yield an annualized return of 12.0% during the period under review, which was lower than the Fund's benchmark return of 12.9% during the same period.

The overall liquidity situation of the system remained relatively better during the fiscal year under-review. Considering the risk-return profile of government papers, the fund kept its exposure largely towards government papers while maintaining marginal allocations towards TDRs and bank deposits. Although the fund maintained decent exposure towards government papers throughout the year, it altered its portfolio's duration actively to take advantage of the fast changing interest rate scenario.

PAKISTAN CASH MANAGEMENT FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The Fund yields for the period under review remained as follows:

Performance Information (%)	PCF	Benchmark
Last twelve Months Return(Annualized)	12.0%	12.9%
Since Inception (CAGR)	11.5%	12.3%

During the year your fund earned net income of Rs 313.035 million. The Board in the meeting held on 4th July, 2011 has declared final distribution amounting to Rs. 62.499 million (i.e. Rs. 1.1801 per unit). In addition to Final distribution, the Management Company has approved following interim distribution during the year ended June 30, 2011.

Date of Distribution	Distribution PKR / Unit
25 July 2010	0.3500
25 August 2010	0.4200
25 September 2010	0.4200
25 October 2010	0.4200
25 November 2010	0.4200
26 December 2010	0.4200
26 January 2011	0.4200
26 February 2011	0.4200
26 March 2011	0.4200
26 April 2011	0.4200
26 May 2011	0.4200

During the period, units worth Rs.5.167 billion (including Rs. 26.683 million worth of bonus units) were issued and units with a value of Rs. 4.79 billion were redeemed. As on 30th June, 2011 the NAV of the Fund was Rs. 51.1828 per unit.

Update on Workers' Welfare Fund

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. In light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

Subsequently, clarifications were 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. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS / mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds / voluntary pension funds being pass through vehicles / entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable 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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honourable Sindh High Court and included an emphasis of matter paragraph in auditor's report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs.10.05 million.

Corporate Governance

The Fund is committed to high standards of corporate governance and the Board of Directors of the Management Company is accountable to the unit holders for good corporate governance. Management is continuing to comply with the provisions of best practices set out in the code of corporate governance particularly with regard to independence of non-executive directors. The Fund remains committed to conduct business in line with listing regulations of Lahore Stock Exchange.

PAKISTAN CASH MANAGEMENT FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The following specific statements are being given to comply with the requirements of the Code of Corporate Governance:

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements.
Accounting estimates are based on reasonable prudent judgment.
- d. Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.
- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence the disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. As per note 1 of financial statements, MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011. Statement showing attendance of Board Meeting is as under:-

Attendance of Board Meeting from 1st July 2010 to 30th June 2011.

S.#	Name	Designation	Meetings			
			Total	Attended	Eligible to Attend	Leave Granted
1.	Mr. Shafi Malik *	Former Chairman	15	15	15	-
2.	Mr. Nasim Beg **	E. Vice Chairman	15	15	15	-
3.	Mr. Muhammad Akmal Jameel *	Former Director	15	15	15	-
4.	Mr. Muhammad Kashif *	Former Director	15	11	15	4
5.	Syed Ajaz Ahmed *	Former Director	15	13	15	2
6.	Mr. Sirajuddin Cassim *	Former Director	15	4	15	11
7.	Mr. S. Gulrez Yazdani *	Former Director	15	13	15	2
8.	Mr. Samad A. Habib ***	Director	15	5	5	-
9.	Mian Mohammad Mansha ****	Chairman	15	1	1	-
10.	Mr. Yasir Qadri ****	Chief Executive	15	1	1	-
11.	Syed Salman Ali Shah ****	Director	15	1	1	-
12.	Mr. Haroun Rashid ****	Director	15	1	1	-
13.	Mr. Ahmed Jahangir ****	Director	15	1	1	-
14.	Mr. Mirza Mahmood Ahmad ****	Director	15	1	1	-

* Resigned on 27th June, 2011

** Mr. Nasim Beg resigned as Chief Executive on 27th June, 2011 and appointed as Executive Vice Chairman on the same date.

*** Mr. Samad A. Habib was elected as director on 7th February, 2011 and his appointment approved by SECP on 31st March, 2011.

**** Appointed on 27th June, 2011 and their approval of appointment from SECP is awaited.

- m. The trades in the units of the fund were carried out by the Directors, CEO, CFO/Company Secretary of the management company and their spouses and minor children, as are under:-

**PAKISTAN CASH MANAGEMENT FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2011**

S. #	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Baig	Executive Vice Chairman	5,872.59	5,956.94	204.91
2.	Mr. Zeeshan	Former CFO & Company Secretary	9,893.35	9,950.96	57.61

External Auditors

The fund's external auditors, Messers A.F. Ferguson & Co., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2012. The audit committee of the Board has recommended reappointment of A.F. Ferguson & Co., Chartered Accountant as auditors of the fund for the year ending June 30, 2012.

Acknowledgement

The Board of Directors of the Management Company is thankful to the valued investors of the Fund for their reliance and trust in Arif Habib Investments Limited. The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, Habib Metropolitan Bank Limited (the Trustee of the Fund) and the management of the Islamabad Stock Exchange for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Management Company for the growth and meticulous management of the Fund.

For and on behalf of the board

Yasir Qadri
Chief Executive

Karachi: September 20, 2011

PAKISTAN CASH MANAGEMENT FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2011

Fund Type and Category

Pakistan Cash Management Fund (PCF) is an open-end Fund.

Fund Benchmark

The benchmark for Pakistan Cash Management Fund is 3 Months PKRV.

Investment Objective

The fund aims to deliver regular income and provide high level of liquidity primarily from short duration government securities investments.

Investment Strategy

The Fund will invest in government securities; mainly Treasury bills and short maturity reverse repurchase transactions against Government Securities. The un-invested funds are kept in deposits with minimum AA rated commercial banks. The overall maturity of the portfolio is kept below 90 days, in order to keep interest rate risk at a relatively low and manageable level and provide high liquidity to investors comparable to current bank deposits. PCF is a long only Fund.

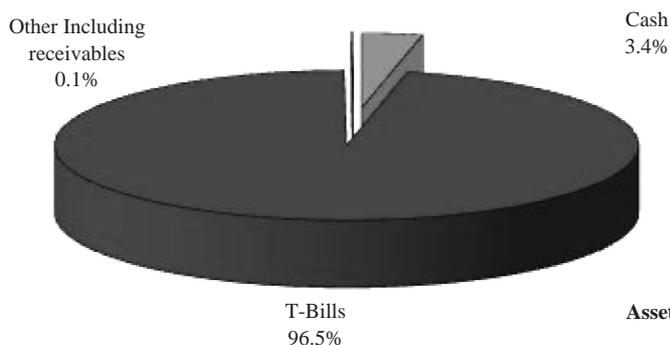
Manager's Review

During the year under review, the fund was able to generate an annualized return of 12.0% as against its benchmark return of 12.9%, an under-performance of 0.9%.

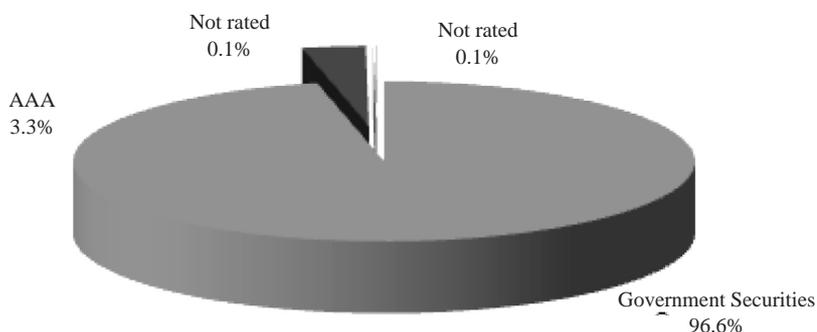
Considering its low-risk profile, the fund continued to deploy its assets carefully without aggressively chasing them. Given a very attractive risk-return profile of the short term government papers, the fund continued to keep most of fund's assets in short-end Treasury Bills.

The net assets of fund have grown by 31% during the year to reach PKR 2.7 billion. Given the volatility in the overall interest rate environment, the fund continued to alter its portfolio WAM in order to take advantage of shifts in the yield curve. The fund's WAM was in the range of 35 to 50 days towards the latter part of the year under review.

Asset Allocation as on June 30, 2011 (% of total assets)



Asset Quality as on June 30, 2011(% of total assets)



Mr. Umair Khan
Fund Manager

Karachi: September 20, 2011

PAKISTAN CASH MANAGEMENT FUND TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

REPORT OF THE TRUSTEE PURSUANT TO REGULATION 41(H) AND CLAUSE 9 OF SCHEDULE V OF THE NON-BANKING FINANCE COMPANIES AND NOTIFIED ENTITIES REGULATIONS, 2008

Pakistan Cash Management Fund (the Fund), an open-end fund was established under a trust deed executed between Arif Habib Investments Limited, as the Management Company and Habib Metropolitan Bank Limited as Trustee on February 08, 2008. The Fund was authorized by the Securities and Exchange Commission of Pakistan (SECP) on 1st February 2008.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended 30 June 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the Management Company under the Constitutive Documents;
- (ii) Valuation and pricing of units are carried out in accordance with the requirements of the Trust Deed and Offering Document;
- (iii) Creation and cancellation of units are carried out in accordance with the requirements of the Trust Deed and Offering Document;
- (iv) 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.

Karachi: October 25, 2011

Azam Zaidi
Senior Executive Vice President
Habib Metropolitan Bank Limited

PAKISTAN CASH MANAGEMENT FUND STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of Pakistan Cash Management Fund ("the Fund") to comply with the Code of Corporate Governance contained in Listing Regulations of Lahore Stock Exchange for the purpose of establishing a framework of good governance, whereby a listed company is managed in compliance with the best practices of corporate governance.

The Management Company has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes three independent non-executive directors out of a total strength of eight directors.
2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the year Mr. Muhammad Shafi Malik, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Muhammad Kashif, Mr. S. Gulrez Yazdani and Syed Ajaz Ahmed had resigned and were replaced by Mian Mohammad Mansha, Mr. Haroun Rasheed, Mr. Ahmed Jahangir, Mr. Yasir Qadri, Dr. Salman Shah and Mr. Mirza Mehmood Ahmad, respectively, as directors of the Management Company, on the same day due to merger as fully explained in note 1 to the financial statements.
5. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the directors and employees of the Management Company.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive (CE) has been taken by the Board. As on June 30, 2011, there are no other executive directors of the Management Company besides the Executive Vice Chairman and Chief Executive.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings, except for emergency meeting for which written notice of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated and signed by the Chairman of the Board of Directors.
9. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
10. The Company has planned to conduct an orientation course for its directors, in the near future to appraise them of their duties and responsibilities.
11. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive.
12. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
13. The Directors, CE and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.
14. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
15. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
16. The Board has formed an audit committee for the Management Company. It comprises of four members, out of which two are non-executive directors.
17. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
18. The Company has an effective internal audit function which was headed by the Head of Internal Audit who resigned on amalgamation. The staff is considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Company and is involved in the internal audit function on a full time basis.

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by Institute of Chartered Accountants of Pakistan.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.
21. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the board

**Yasir Qadri
Chief Executive**

Karachi: September 20, 2011

PAKISTAN CASH MANAGEMENT FUND REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of Arif Habib Investments Limited (the Management Company) for and on behalf of Pakistan Cash Management Fund to comply with the requirements of Chapter XI of the Listing Regulations of the Islamabad Stock Exchange where the Fund is listed.

The responsibility for compliance with the Code of Corporate Governance is that of the Board of Directors of the Management Company of the Fund. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Fund's compliance with the provisions of the Code of Corporate Governance and report if it does not. A review is limited primarily to inquiries of the Management Company's personnel and review of various documents prepared by the Management Company to comply with the Code.

As part of our audit of the financial statements, we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We have not carried out any special review of the internal control system to enable us to express an opinion as to whether the Board's statement on internal control covers all controls and the effectiveness of such internal controls.

Sub-Regulation (xiii a) of Listing Regulation No. 35 requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length prices recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2011.

A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: 24th October 2011

PAKISTAN CASH MANAGEMENT FUND INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS

We have audited the accompanying financial statements of **Pakistan Cash Management Fund**, which comprise the statement of assets and liabilities as at June 30, 2011, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes

Management Company's responsibility for the financial statements

The Management Company of the Fund is responsible for the preparation and fair presentation of these financial statements in accordance with approved accounting standards as applicable in Pakistan, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards as applicable in Pakistan. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of Fund's the affairs as at June 30, 2011, and of its financial performance, cash flows and transactions for the year ended 30 June 2011, in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

In our opinion, the financial statements have been prepared in all material respects in accordance with the relevant provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008.

Emphasis of matter paragraph

We draw attention to note 9.1 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Worker's Welfare Fund which is currently pending adjudication at the Honourable Sindh High Court. Our opinion is not qualified in respect of this matter.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Rashid A. Jafer

Dated: 24th October 2011
Karachi

FINANCIAL STATEMENTS

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	2011	2010
(Rupees in '000)			
ASSETS			
Balances with banks	4	91,458	74,872
Receivable against sale of units		562	1,100
Investments	5	2,632,650	1,989,521
Profit receivable		624	2
Other receivables		67	-
Preliminary expenses and floatation costs	6	344	544
Total assets		2,725,705	2,066,039
LIABILITIES			
Payable to the Management Company	7	3,803	2,980
Accrued expenses and other liabilities	8	11,217	1,095
Total liabilities		15,020	4,075
NET ASSETS		2,710,685	2,061,964
UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)		2,710,685	2,061,964
CONTINGENCIES AND COMMITMENTS	9		
(Number of Units)			
Number of units in issue		52,960,879	40,675,146
(Rupees)			
NET ASSET VALUE PER UNIT		51.1828	50.6935

The annexed notes 1 to 24 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director

**PAKISTAN CASH MANAGEMENT FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	June 30, 2011	June 30, 2010
(Rupees in '000)			
INCOME			
Capital gain / (loss) on sale of investments - net		144	(172)
Income from reverse repurchase transactions		1,204	4,984
Income from investment in government securities		344,551	164,706
Profit on bank deposits		4,211	4,476
Other income		5	15
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net	5.2	(758)	(409)
Total income		349,357	173,600
EXPENSES			
Performance fee of the Management Company	7.1	34,763	17,363
Securities transaction cost		313	299
Legal and professional charges		80	142
Amortisation of preliminary expenses and floatation costs	6	200	200
Total expenses		35,356	18,004
Net income from operating activities		314,001	155,596
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - net		(966)	11,614
Net income for the year before taxation		313,035	167,210
Taxation	10	-	-
Net income for the year after taxation		313,035	167,210
Other comprehensive income for the year		-	-
Total comprehensive income for the year		313,035	167,210
Earnings per unit	3.11		

The annexed notes 1 to 24 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director

**PAKISTAN CASH MANAGEMENT FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	June 30, 2011	June 30, 2010
(Rupees in '000)			
Undistributed income brought forward			
- Realised gain		28,617	7,694
- Unrealised (loss) / gain		(409)	37
		<u>28,208</u>	<u>7,731</u>
Final Distribution for the year ended June 30, 2010: Re 0.6900 per unit (Date of distribution: July 5, 2010) [2009: Re 0.6750 per unit (Date of distribution : July 6, 2009)]			
- Bonus units		(26,683)	(7,056)
- Cash distribution		(1,382)	(667)
Net income for the year		313,035	167,210
Interim Distribution for the year ended June 30, 2011			
- Bonus units	11	(240,914)	(124,389)
- Cash distribution	11	(9,621)	(14,621)
Undistributed income carried forward		<u>62,643</u>	<u>28,208</u>
Undistributed income carried forward			
- Realised gain		63,401	28,617
- Unrealised loss		(758)	(409)
		<u>62,643</u>	<u>28,208</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Mangement Company)**

Chief Executive

Director

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011**

Note	June 30, 2011	June 30, 2010
	(Rupees in '000)	
Net assets at the beginning of the year	2,061,964	579,814
Issue of 101,818,408 units (2010: 114,815,927 units)	5,140,548	5,789,630
Redemption of 94,856,801 units (2010: 88,202,331 units)	(4,794,825)	(4,447,788)
	345,723	1,341,842
Element of (income) / loss and capital (gains) / (losses) included in prices of units issued less those in units redeemed - net (transferred to income statement)	966	(11,614)
Final Distribution of 533,627 bonus units for the year ended June 30, 2010 at Re 0.6900 per unit (Final distribution for the year 2009: 141,120 units at Re 0.6750 per unit)	26,683	7,056
Interim distribution of 4,790,499 bonus units for the year ended June 30, 2011 (2010: 2,478,744 bonus units)	240,914	124,389
	11	
Final distribution for the year ended June 30, 2010: at Re 0.6900 per unit (Date of distribution: July 5, 2010) (Final distribution for the year 2009: Re 0.6750 per unit Date of distribution : July 6, 2009)		
- Bonus units	(26,683)	(7,056)
- Cash distribution	(1,382)	(667)
Capital gain / (loss) on sale of investments - net	144	(172)
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net	(758)	(409)
Other net income for the year	313,649	167,791
Interim Distribution for the year ended June 30, 2011		
- Bonus units	(240,914)	(124,389)
- Cash distribution	(9,621)	(14,621)
	11	
	11	
	34,435	20,477
Net assets as at the end of the year	2,710,685	2,061,964

The annexed notes 1 to 24 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Mangement Company)**

Chief Executive

Director

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

	June 30, 2011	June 30, 2010
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	313,035	167,210
Adjustments for non cash items:		
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net	758	409
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	966	(11,614)
Amortisation of preliminary expenses and floatation costs	200	200
Performance fee of the Management Company	34,763	17,363
	<u>349,722</u>	<u>173,568</u>
(Increase) / decrease in assets		
Investments	(643,887)	(1,508,124)
Receivable against reverse repurchase transactions	-	44,758
Profit receivable	(622)	1,834
Other receivables	(67)	410
Receivable against sale of units	538	(75)
	<u>(644,038)</u>	<u>(1,461,197)</u>
Increase / (decrease) in liabilities		
Preliminary expenses and floatation costs payable to the Management Company	(200)	(200)
Accrued expenses and other liabilities	10,122	962
	<u>9,922</u>	<u>762</u>
Performance fee paid to the Management Company	(33,740)	(15,710)
Net cash used in operating activities	<u>(318,134)</u>	<u>(1,302,577)</u>
CASH FLOW FROM FINANCING ACTIVITIES		
Distributions made during the year	(11,003)	(15,288)
Net cash received on issuance of units	345,723	1,341,842
Net cash generated from financing activities	<u>334,720</u>	<u>1,326,554</u>
Net increase in cash and cash equivalents during the year	<u>16,586</u>	<u>23,977</u>
Cash and cash equivalents at the beginning of the year	<u>74,872</u>	<u>50,895</u>
Cash and cash equivalents at the end of the year	<u>91,458</u>	<u>74,872</u>

The annexed notes 1 to 24 form an integral part of these financial statements.

**For Arif Habib Investments Limited
(Management Company)**

Chief Executive

Director

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Cash Management Fund (PCF) "the Fund" was established under a Trust Deed executed between Arif Habib Investments Limited (the Management Company) and Habib Metropolitan Bank Limited as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on February 1, 2008 and was executed on February 8, 2008.

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken place and the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable Sindh High Court (SHC). The honourable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

The Management Company of the Fund has been licensed to act as an Asset Management Company under the Non Banking Finance Companies (Establishment and Regulation) Rules 2003 through a certificate of registration issued by the SECP. During the current year, the registered office of the Management Company has been shifted to 8th floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

PCF is an open-ended mutual fund and is listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

The Fund has been categorised as a money market scheme by the Management Company.

The Fund is allowed to invest in treasury bills, short term government securities and reverse repurchase transactions against government securities and the uninvested portion is deposited in bank accounts.

Pakistan Credit Rating Agency (PACRA) has assigned Management quality rating of AM2 (positive outlook) to the management company and AAA(f) as stability rating to the Fund.

Title to the assets of the Fund is held in the name of Habib Metropolitan Bank Limited as trustee of the Fund.

2. BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, 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). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

2.2 Standards, interpretations and amendments to published approved accounting standards that are effective in the current year

There are certain new standards, amendments and interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

2.3 New and amended standards and interpretations that are not yet effective and have not been early adopted

The following revised standard has been published and is mandatory for accounting periods beginning on or after January 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

There are other new and amended standards and interpretations that are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or do not have any significant effect on the Fund's operations and are therefore not detailed in these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of the financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification, valuation and impairment of financial assets (notes 3.2 and note 5).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value.

2.6 Functional and presentation currency

The financial statements are presented in Pak Rupees, which is the Fund's functional and presentation currency.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. These have been consistently applied to all the years presented unless otherwise stated.

3.1 Cash and cash equivalents

Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) Financial assets at fair value through profit or loss

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in prices are classified as held for trading in the 'financial assets at fair value through profit or loss' category.

b) Loans and receivables

These are non-derivatives financial assets with fixed or determinable payments that are not quoted in an active market.

c) Available-for-sale

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale or are not classified as (a) loans and receivables, (b) held to maturity investments or (c) financial assets at fair value through profit or loss.

3.2.2 Regular way contracts

Regular purchases and sales of financial assets are recognised on the trade date - the date on which the Fund commits to purchase or sell the asset.

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.2.3 Initial recognition and measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement.

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss are valued as follows:

3.2.4 Subsequent measurement

Subsequent to initial recognition, financial assets designated by the management as at fair value through profit or loss and available-for-sale are valued as follows:

Basis of valuation of Government Securities

The investment of the Fund in government securities is valued on the basis of rates announced by the Financial Market Association of Pakistan.

3.2.5 Impairment

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. In case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the income statement. Impairment losses recognised on equity securities recognised in the income statement are not reversed through the income statement. For loans and receivables, a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

3.2.6 Derecognition

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Fund has transferred substantially all risks and rewards of ownership.

3.2.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the Statement of Assets and Liabilities when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities simultaneously.

3.2.8 Reclassification

The Fund may choose to reclassify a non-derivative trading financial asset in equity securities out of the 'held for trading' category to the 'available-for-sale' category if the financial asset is no longer held for the purpose of selling it in the near term. Such reclassifications are made only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. Reclassifications are made at fair value as of the reclassification date which then becomes the new cost and no reversals of fair value gains or losses recorded before the reclassification date are subsequently made.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

3.4 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is remeasured to its fair value and the resultant gain or loss is recognised in the income statement.

3.5 Securities under repurchase / resale agreements

Transactions of purchase under resale (reverse-repo) of government securities are entered into at contracted rates for specified periods of time. Securities purchased with a corresponding commitment to resell at a specified future date (reverse-repo) are not recognised in the Statement of Assets and Liabilities. Amount paid under these agreements are included in receivable in respect of reverse repurchase transactions. The difference between purchase and resale price is treated as income from reverse repurchase transactions and accrued over the life of the reverse-repo agreement.

All reverse repo transactions are accounted for on the settlement date.

3.6 Proposed distributions

Distributions declared subsequent to the reporting date are considered as non-adjusting events and are recognised in the financial statements in the period in which such distributions are declared.

3.7 Issue and redemption of units

Units issued are recorded at the offer price, determined by the Management Company for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit as of the close of the business day plus the allowable sales load, provision for transaction costs and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Management Company. Transaction costs are recorded as the income of the Fund.

Units redeemed are recorded at the redemption price, applicable to units for which the distributors receive redemption requests during business hours of that day. The redemption price represents the net asset value per unit as of the close of the business day less any back-end load, any duties, taxes, charges on redemption and any provision for transaction costs, if applicable.

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

An equalisation account called the 'element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed' is created, in order to prevent the dilution of income per unit and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Unit Holder's Fund in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognised in the Income Statement.

3.9 Provisions

Provisions are recognised when the Fund has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of obligation can be made. Provisions are regularly reviewed and adjusted to reflect the current best estimate.

3.10 Net asset value per unit

The net asset value (NAV) per unit, as disclosed on the Statement of Assets and Liabilities, is calculated by dividing the net assets of the Fund by the number of units in circulation at the year end.

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

3.11 Earnings per unit

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

3.12 Taxation

The income of the Fund 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 percent of the accounting income for the year as reduced by capital gains whether realised or unrealised is distributed amongst the unit holders.

The Fund is also exempt from the provisions of section 113 (minimum tax) under clause 11A of part IV of the Second Schedule to the Income Tax Ordinance, 2001.

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is no longer probable that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.13 Revenue recognition

- Realised capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.
- Profit on investment is recognised on an accrual basis.

3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement within the fair value net gain or loss.

4. BALANCES WITH BANKS

	Note	2011	2010
(Rupees in '000)			
In current accounts		5	5
In deposit accounts	4.1	91,453	74,867
		<u>91,458</u>	<u>74,872</u>

4.1 These carry rates of return ranging from 10% to 11% (2010: 5% to 9%) per annum.

5. INVESTMENTS

	Note	2011	2010
(Rupees in '000)			
At fair value through profit or loss - held for trading			
Government Securities	5.1	<u>2,632,650</u>	<u>1,989,521</u>

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.1 Investment in government securities - 'at fair value through profit or loss'

Issue Date	-----Face Value-----				Balance as at June 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	Tenor	Balance as at July 1, 2010	Purchases during the year	Sales / matured during the year	Balance as at June 30, 2011	Cost	Market value		

------(Rupees in 000)-----

Market Treasury Bills

August 13, 2009	1 Year	50,000	-	50,000	-	-	-	-	-
January 14, 2010	6 Months	100,000	-	100,000	-	-	-	-	-
February 1, 2010	6 Months	-	150,000	150,000	-	-	-	-	-
February 11, 2010	6 Months	125,000	-	125,000	-	-	-	-	-
February 25, 2010	6 Months	10,000	-	10,000	-	-	-	-	-
April 22, 2010	3 Months	643,000	-	643,000	-	-	-	-	-
April 22, 2010	6 Months	-	25,000	25,000	-	-	-	-	-
May 6, 2010	3 Months	100,000	145,000	245,000	-	-	-	-	-
May 20, 2010	3 Months	525,000	300,000	825,000	-	-	-	-	-
June 3, 2010	3 Months	225,000	-	225,000	-	-	-	-	-
June 17, 2010	3 Months	235,000	184,000	419,000	-	-	-	-	-
July 15, 2010	3 Months	-	860,000	860,000	-	-	-	-	-
July 29, 2010	3 Months	-	730,000	730,000	-	-	-	-	-
August 3, 2010	6 Months	-	400,000	400,000	-	-	-	-	-
August 13, 2010	3 Months	-	795,000	795,000	-	-	-	-	-
August 26, 2010	3 Months	-	227,500	227,500	-	-	-	-	-
August 27, 2009	1 Year	-	25,000	25,000	-	-	-	-	-
September 9, 2010	3 Months	-	397,500	397,500	-	-	-	-	-
September 23, 2010	3 Months	-	125,000	125,000	-	-	-	-	-
October 7, 2010	3 Months	-	1,097,000	1,097,000	-	-	-	-	-
October 7, 2010	6 Months	-	185,000	185,000	-	-	-	-	-
October 21, 2010	3 Months	-	927,500	927,500	-	-	-	-	-
November 4, 2010	3 Months	-	1,169,000	1,169,000	-	-	-	-	-
November 16, 2010	3 Months	-	445,000	445,000	-	-	-	-	-
November 16, 2010	3 Months	-	435,000	435,000	-	-	-	-	-
December 2, 2010	3 Months	-	1,103,000	1,103,000	-	-	-	-	-
December 18, 2010	3 Months	-	130,000	130,000	-	-	-	-	-
December 30, 2010	3 Months	-	860,000	860,000	-	-	-	-	-
January 13, 2011	3 Months	-	320,000	320,000	-	-	-	-	-
January 27, 2011	3 Months	-	425,000	425,000	-	-	-	-	-

PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Issue Date	-----Face Value -----				Balance as at June 30, 2010			Market value as a percentage of net assets	Market value as a percentage of total investment
	Tenor	Balance as at July 1, 2010	Purchases during the year	Sales / matured during the year	Balance as at June 30, 2011	Cost	Market value		
------(Rupees in 000)-----									
February 10, 2011	3 Months	-	105,000	105,000	-	-	-	-	-
February 11, 2010	1 Year	-	375,000	375,000	-	-	-	-	-
February 24, 2011	3 Months	-	553,080	553,080	-	-	-	-	-
February 25, 2010	1 Year	-	200,000	200,000	-	-	-	-	-
March 10, 2011	3 Months	-	313,000	313,000	-	-	-	-	-
March 11, 2010	1 Year	-	245,000	245,000	-	-	-	-	-
March 24, 2011	3 Months	-	390,000	390,000	-	-	-	-	-
March 25, 2010	1 Year	-	230,000	230,000	-	-	-	-	-
April 7, 2011	3 Months	-	500,000	500,000	-	-	-	-	-
April 8, 2010	1 Year	-	55,000	55,000	-	-	-	-	-
April 21, 2011	3 Months	-	415,000	305,000	110,000	109,496	109,482	(14)	4.04
May 5, 2011	3 Months	-	15,000	15,000	-	-	-	-	-
May 5, 2011	3 Months	-	500,000	-	500,000	495,307	495,118	(189)	18.27
May 5, 2011	3 Months	-	200,000	-	200,000	198,154	198,047	(107)	7.31
May 5, 2011	3 Months	-	5,000	-	5,000	4,953	4,951	(2)	0.18
May 19, 2011	3 Months	-	375,000	-	375,000	369,619	369,431	(188)	13.63
May 19, 2011	3 Months	-	5,000	-	5,000	83,784	83,738	(46)	3.09
May 19, 2011	3 Months	-	95,000	10,000	85,000	4,928	4,926	(2)	0.18
June 2, 2011	3 Months	-	340,000	-	340,000	333,322	333,260	(62)	12.29
June 3, 2010	1 Year	-	200,000	200,000	-	-	-	-	-
July 15, 2010	1 Year	-	20,000	20,000	-	-	-	-	-
June 16, 2011	3 Months	-	375,000	-	375,000	195,085	195,037	(48)	7.20
June 16, 2011	3 Months	-	200,000	-	200,000	365,728	365,695	(33)	13.49
June 16, 2011	3 Months	-	30,000	-	30,000	195,055	195,037	(18)	7.20
June 16, 2011	3 Months	-	200,000	-	200,000	248,716	248,672	(44)	9.17
June 16, 2011	3 Months	-	255,000	-	255,000	29,261	29,256	(5)	1.08
June 17, 2010	1 Year	-	15,000	15,000	-	-	-	-	-
Total as at June 30, 2011						2,633,408	2,632,650	(758)	
Total as at June 30, 2010						1,989,930	1,989,521	(409)	

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5.2 Net unrealised diminution on re-measurement of investments at 'fair value through profit or loss' - net	Note	2011	2010
		(Rupees in '000)	
Market value of investments		2,632,650	1,989,521
Less: Cost of investments		(2,633,408)	(1,989,930)
		(758)	(409)
Net unrealised (appreciation) / diminution on re-measurement of investments at the beginning of the year		409	(37)
Realised on disposal during the year		(409)	37
		(758)	(409)

6. PRELIMINARY EXPENSES AND FLOATATION COSTS

Opening balance		544	744
Less: Amortisation during the year	6.1	(200)	(200)
Balance as at June 30,		344	544

6.1 Preliminary expenses and floatation costs represents expenditure incurred prior to the commencement of operations of the Fund and are being amortised over a period of five years commencing from the end of the initial offering period.

7. PAYABLE TO THE MANAGEMENT COMPANY

	Note	2011	2010
		(Rupees in '000)	
Performance fee	7.1	3,203	2,180
Preliminary expenses and floatation costs		600	800
		3,803	2,980

7.1 Under the provisions the of Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the Regulation), the Management Company of the Fund is entitled to a remuneration during the first five years of the Fund, of an amount not exceeding three percent of the average annual net assets of the Fund and thereafter of an amount equal to two percent of such net assets of the Fund. The Management Company has charged a performance fee at the rate of 10% of the gross earnings of the Fund. This fee is subject to a minimum of 0.25% of the average daily Net Assets of the Fund not exceeding the maximum rate of remuneration permitted under the Regulation.

The performance fee charged by the Management Company covers SECP fee, trustee remuneration, bank charges, listing fee, rating fee, auditor's remuneration and printing cost on behalf of the Fund.

8. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011	2010
	(Rupees in '000)	
Legal and professional charges	197	118
Brokerage payable	8	20
Zakat Payable	6	-
Capital Gain Tax payable	1,006	-
Payable to Pakistan Income Fund	10,000	-
Payable to Pakistan Income Enhancement Fund	-	957
	11,217	1,095

9. CONTINGENCIES AND COMMITMENTS

9.1 Contribution to Workers Welfare Fund

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 light of this, the Mutual Funds Association of Pakistan (MUFAP) filed a constitutional petition in the Honorable Sindh High Court challenging the applicability of WWF on CISs which was dismissed mainly on the ground that MUFAP is not an aggrieved party.

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Subsequently, clarifications were 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. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

Further, a fresh Constitutional Petition filed with the Honorable High Court of Sindh by a CIS/mutual fund and a pension fund through their trustee and an asset management company inter alia praying to declare that mutual funds/voluntary pension funds being pass through vehicles/entities are not industrial establishments and hence, are not liable to contribute to the WWF under the WWF Ordinance. The proceedings of the Honorable Court in this matter have concluded and the Honorable Court has reserved its decision.

Subsequent to the year ended June 30, 2011, the Honorable 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. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs 10.05 million (including Rs 3.34 million and Rs 0.45 million for the year ended June 30, 2010 and June 30, 2011 respectively).

9.2 There were no other contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010.

10. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded a tax liability in respect of income relating to the current year as the Management Company has distributed the required minimum percentage of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

11. INTERIM DISTRIBUTIONS

The Fund makes distribution on a monthly basis and has made following distributions during the year.

Date	Rate per Unit	Bonus		Cash Distribution	Total
		Units	Amount		
----- (Rupees in '000) -----					
July 25, 2010	Re. 0.3500	350,391	17,527	701	18,228
August 25, 2010	Re. 0.4200	412,974	20,671	842	21,513
September 25, 2010	Re. 0.4200	416,549	20,870	841	21,711
October 25, 2010	Re. 0.4200	459,762	23,056	842	23,898
November 25, 2010	Re. 0.4200	429,746	21,577	842	22,419
December 26, 2010	Re. 0.4200	412,875	20,745	925	21,670
January 26, 2011	Re. 0.4200	451,015	22,818	925	23,743
February 26, 2011	Re. 0.4200	445,562	22,518	925	23,443
March 26, 2011	Re. 0.4200	445,311	22,464	926	23,390
April 26, 2011	Re. 0.4200	486,712	24,535	926	25,461
May 26, 2011	Re. 0.4200	479,602	24,133	926	25,059
		4,790,499	240,914	9,621	250,535

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As per clause 12 of the Trust Deed and clause 6 of Part VI of the Offering Document, the Management Company, on behalf of the Fund, on a monthly basis (except June) distributes cash dividend, bonus, partially cash / bonus or in any other form acceptable to the SECP (such as bonus units) that may qualify under the tax laws. Net income (after deducting all the expenses of the Fund) earned upto 25th of each month may be distributed by the Management Company. The Board of Directors on 22nd September 2008 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profit earned by the Fund upto the 25th of each month. The SECP vide letter no. NBFC - ILDD / AHIL / Misc-734 / 2009 has approved the above arrangement.

12. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

Performance fee payable to the Management Company is determined in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and constitutive documents of the Fund.

Other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

12.1 Details of transactions with connected persons are as follows:

	Year Ended June 30, 2011	Year Ended June 30, 2010
	(Rupees in '000)	
Management Company		
Performance fee for the year	34,763	17,363
Issue of 1,446,754 units (2010: 6,140,185 units)	73,000	308,657
Redemption of 1,504,959 units (2010: 7,739,270 units)	(76,671)	389,638
Issue of 58,205 bonus units (2010: 115,263 units)	2,937	5,776
Associated Companies		
Fatima Fertilizer Company Limited		
Issue of 5,892,810 units (2010: Nil)	300,000	-
Redemption of 3,912,486 units (2010: Nil)	200,000	-
Arif Habib Reit Management Limited		
Issue of 51,641 units (2010: 628,554 units)	2,595	31,754
Redemption of 381,283 units (2010: 78,747 units)	19,214	3,979
Arif Habib Real Estate Services (Pvt.) Limited		
Issue of 306,539 units (2010: Nil)	15,500	-
Redemption of 222,094 units (2010: Nil)	11,231	-
Habib Metropolitan Bank Limited - Trustee		
Profit on bank deposits	4,123	3,318
Directors and executives of the management company		
Issue of 477,398 units (2010: 182,199 units)	24,128	9,189
Issue of 8,432 bonus units (2010: 5,122 units)	425	257
Redemption of 368,392 units (2010: 194,060 units)	18,657	9,765

12.2 Balances outstanding as at year end

	Year Ended June 30, 2011	Year Ended June 30, 2010
	(Rupees in '000)	
Management Company		
Payable to the Management Company	3,803	2,980
Receivable from Management Company	67	-
Units held Nil (2010: Nil units)	-	-

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	Year Ended June 30, 2011	Year Ended June 30, 2010
(Rupees in '000)		
Associated Companies		
Fatima Fertilizer Company Limited Units held 1,980,324 (2010: Nil units)	101,326	-
Arif Habib Reit Management Limited Units held 220,166 (2010: 549,807 units)	11,265	27,865
Arif Habib Real Estate Services (Pvt.) Limited Units held 84,445 (2010: Nil units)	4,321	-
Habib Metropolitan Bank Limited - Trustee Bank balance	90,990	74,650
Amounts due on account of Conversion / Transfer of units (Payable to) / receivable from Pakistan Income Enhancement Fund	-	(957)
Payable to Pakistan Income Fund	10,000	-
Directors / officers and employees of the management company Units held 151,567 units (2010: 34,129 units)	7,755	1,730

13. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

Details of members of the investment committee of the Fund are as follows:

Name	Designation	Qualification	Experience in years
1 Mr. Yasir Qadri	Chief Executive	MBA	16
2 Mr. Kashif Rafi	Fund Manager - Fixed Income	MBA, CFA - Level 1	10
3 Mr. Muhammad Asim	Fund Manager - Equity Funds	MBA & CFA	8
4 Mr. Syed Akbar Ali	Senior Research Analyst	MBA & CFA	6
5 Mr. Mohsin Pervez	Senior Research Analyst	CFA - Level 1	9.5
6 Mr. Umair Khan	Research Analyst	CFA - Level 2	3

13.1 Mr. Umair Khan is the manager of the Fund. He is also the Fund manager of :

- Pakistan Income Enhancement Fund
- Pakistan Income Fund

14. TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2011 Percentage
1 BMA Capital Management Limited	61.27%
2 Invest Capital Investment Bank Limited	11.42%
3 Invest and Finance Securities Limited	8.23%
4 First Capital Securities Corporation Limited	6.71%
5 KASB Securities Limited	4.12%
6 Atlas Capital Markets (Private) Limited	4.12%
7 Vector Capital (Private) Limited	4.12%
8 ICON Securities	0.01%

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	2010
	Percentage
1 JS Global Capital Limited	19.99%
2 KASB Securities Limited	16.93%
3 Invest Capital Investment Bank Limited	12.66%
4 Atlas Capital Markets (Private) Limited	11.10%
5 Alfalah Securities (Private) Limited	10.42%
6 First Capital Securities Corporation Limited	9.94%
7 Global Securities Pakistan Limited	7.13%
8 Invisor Securities (Private) Limited	4.47%
9 BMA Capital Management Limited	4.24%
10 Elixir Securities Pakistan (Private) Limited	3.13%

15. PATTERN OF UNIT HOLDING

June 30, 2011			
	Number of Unit Holders	Investment amount	Percentage investment
------(Rupees in '000)-----			
Individuals	378	387,864	14.31
Directors	1	337	0.01
Insurance companies	10	634,580	23.41
Bank / DFIs	3	169,043	6.24
NBFCs	2	2,796	0.10
Retirement funds	19	86,769	3.20
Public Limited companies	1	119,111	4.39
Associates	3	116,912	4.32
Others	40	1,193,273	44.02
	457	2,710,685	100.00

June 30, 2010			
	Number of Unit Holders	Investment amount	Percentage investment
------(Rupees in '000)-----			
Individuals	222	228,261	11.07
Directors	1	327	0.02
Insurance companies	6	296,246	14.37
Bank / DFIs	1	101,561	4.93
NBFCs	2	63,428	3.08
Retirement funds	13	89,006	4.32
Public Limited companies	13	995,781	48.28
Others	15	287,354	13.93
	273	2,061,964	100.00

16. ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

The 74th, 75th, 76th, 77th, 78th, 79th, 80th, 81st, 82nd, 83rd, 84th, 85th, 86th, 87th and 88th meetings of the Board of Directors of the Management Company were held on July 5, 2010, August 3, 2010, August 4, 2010, October 22, 2010, October 25, 2010, November 12, 2010, December 20, 2010, December 30, 2010, February 17, 2011, February 19, 2011, April 16, 2011, April 21, 2011, April 23, 2011, June 15, 2011, June 27, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

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	Name of Director	Number of Meetings			Meeting not attended
		Held	Attended	Leave Granted	
1	Mr. Shafi Malik*	15	15	-	-
2	Mr. Nasim Beg****	15	15	-	-
3	Mr. Sirajuddin Cassim*	15	4	11	74th to 83rd and 88th meeting
4	Mr. S. Gulrez Yazdani *	15	13	2	75th and 76th meeting
5	Mr. Muhammad Akmal Jameel*	15	15	-	-
6	Syed Ajaz Ahmed*	15	13	2	74th and 88th meeting
7	Mr. Muhammad Kashif Habib*	15	11	4	74th, 77th, 87th and 88th meeting
8	Mr. Samad A. Habib**	5	5	-	-
9	Mian Mohammad Mansha***	1	1	-	-
10	Mr. Yasir Qadri****	1	1	-	-
11	Syed Salman Ali Shah****	1	1	-	-
12	Mr. Haroun Rashid****	1	1	-	-
13	Mr. Ahmed Jahangir****	1	1	-	-
14	Mr. Mirza Mahmood Ahmad****	1	1	-	-

* The above directors retired in the 88th meeting held on June 27,2011.

** Mr.Samad A.Habib was appointed as director during the year in the extraordinary general meeting held on February 7, 2011 and approved by SECP on March 31,2011.

*** The above directors are appointed in place of retiring directors in the 88th meeting held on June 27,2011.

**** Mr. Nasim Baig has been appointed as Executive Vice Chairman during the year. Previously, he was working as Chief Executive Officer.

17. FINANCIAL RISK MANAGEMENT

The Fund is a money market fund which invests in government securities. The Fund's activities expose it to a variety of financial risk: market risk, credit risk and liquidity risk.

17.1 Market risk

Market risk is the risk that the fair value or the future cash flows of a financial instrument may fluctuate as a result of changes in market prices.

The Management Company manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board of Directors of the Management Company and regulations laid down by the Securities and Exchange Commission of Pakistan.

Market risk comprises of three types of risk: currency risk, interest rate risk and other price risk.

17.1.1 Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund, at present is not exposed to currency risk as all transactions are carried out in Pak Rupees.

17.1.2 Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

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a) Sensitivity analysis for fixed rate instruments

As at June 30, 2011, the Fund only holds Treasury Bills which are classified 'as at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Market Association of Pakistan on June 30, 2011 with all other variables held constant, the net income for the year and net assets would be lower by Rs. 4.3 million (2010: Rs 1.91 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be higher by Rs. 2.7 million (2010: Rs 1.91 million).

b) Sensitivity analysis for variable rate instruments

Presently, the Fund does not hold any variable rate instrument and is not exposed to cash flow interest rate risk.

The composition of the Fund's investment portfolio and rates announced by the Financial Market Association of Pakistan is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / interest rate sensitivity position for on balance sheet financial instruments is based on the earlier of contractual repricing or maturity date and for off-balance sheet instruments is based on the settlement date.

As at June 30, 2011				
Exposed to Yield / Interest rate risk			Not exposed to Yield / interest rate risk	Total
Up to three months	More than three months and up to one year	More than one year		

------(Rupees in '000)-----

On-balance sheet financial instruments

Financial assets

Balances with banks	91,453	-	-	5	91,458
Receivable against sale of investments	-	-	-	562	562
Investments	2,632,650	-	-	-	2,632,650
Other receivables	-	-	-	67	67
Profit receivable	-	-	-	624	624
	<u>2,724,103</u>	<u>-</u>	<u>-</u>	<u>1,258</u>	<u>2,725,361</u>

Financial liabilities

Payable to the Management Company	-	-	-	3,803	3,803
Accrued expenses and other liabilities	-	-	-	10,205	10,205
	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,008</u>	<u>14,008</u>

On-balance sheet gap

	<u>2,724,103</u>	<u>-</u>	<u>-</u>	<u>(12,750)</u>	<u>2,711,353</u>
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Off-balance sheet financial instruments

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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Off-balance sheet gap

	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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PAKISTAN CASH MANAGEMENT FUND
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As at June 30, 2010					
Exposed to Yield / Interest rate risk			Not exposed to Yield / interest rate risk	Total	
Up to three months	More than three months and up to one year	More than one year			
------(Rupees in '000)-----					
On-balance sheet financial instruments					
Financial assets					
Balances with banks	74,867	-	-	5	74,872
Receivable against sale of units	-	-	-	1,100	1,100
Investments	1,989,521	-	-	-	1,989,521
Profit receivable	-	-	-	2	2
	2,064,388	-	-	1,107	2,065,495
Financial liabilities					
Payable to the Management Company	-	-	-	2,980	2,980
Accrued expenses and other liabilities	-	-	-	1,095	1,095
	-	-	-	4,075	4,075
On-balance sheet gap	2,064,388	-	-	(2,968)	2,061,420
Off-balance sheet financial instruments	-	-	-	-	-
Off-balance sheet gap	-	-	-	-	-

17.2 Credit risk

Credit risk represents the risk of a loss if a counter party fails to perform as contracted. Since the Fund primarily invests in government securities the Fund does not have such risk to that extent. The Fund is also exposed to counter party credit risks on balances with banks and profit receivable. The credit risk on such funds is limited because the uninvested amount is placed with financial institutions with strong financial standing.

The analysis below summarises the credit rating quality of the Fund's bank balances as at June 30:

Bank Balances by rating category	2011
AA+	90,990
AA	468
	2010
AA+	76,650
AA	223

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

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Concentration of credit risk

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments primarily consist of government securities. The uninvested portion is kept in banks and that too with banks having strong financial standing, thus mitigating any significant concentration of credit risk.

17.3 Liquidity risk

Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous.

The Fund is exposed to daily cash redemptions, if any. The Fund's approach to managing liquidity is to ensure, as far as possible, that the Fund will always have sufficient liquidity to meet its liabilities when due under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Fund's reputation. Its policy is therefore to invest in short term government instruments that are highly liquid, hence, can be readily disposed off and are considered readily realisable.

In order to manage the Fund's overall liquidity, the Fund may also withhold daily redemption requests in excess of ten percent of the units in issue and such requests would be treated as redemption requests qualifying for being processed on the next business day. Such procedure would continue until the outstanding redemption requests come down to a level below ten percent of the units then in issue. The Fund did not withhold any redemption requests during the year.

The table below analyses the Fund's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts in the table are the contractual undiscounted cash flows.

-----As at June 30, 2011 -----					
	Total	Upto three months	Over three months and upto one year	Over one year	
	------(Rupees in '000)-----				
Liabilities	3,803	3,203	200	400	
Payable to the Management Company	10,205	10,205	-	-	
Accrued expenses and other liabilities	14,008	13,408	200	400	

-----As at June 30, 2010 -----					
	Total	Upto three months	Over three months and upto one year	Over one year	
	------(Rupees in '000)-----				
Liabilities	2,980	2,180	200	600	
Payable to the Management Company	1,095	1,095	-	-	
Accrued expenses and other liabilities	4,075	3,275	200	600	

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18. FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2011-----		
Loans and receivables	Assets 'as fair value through profit or loss'	Total
------(Rupees in '000)-----		
Balances with banks	91,458	91,458
Receivable against sale of investments	562	562
Investments	-	2,632,650
Other receivables	67	67
Profit receivable	624	624
	<u>92,711</u>	<u>2,632,650</u>
	<u>92,711</u>	<u>2,725,361</u>

Assets

Balances with banks
 Receivable against sale of investments
 Investments
 Other receivables
 Profit receivable

-----As at June 30, 2011-----		
Liabilities at fair value through profit or loss	At Amortised cost	Total
------(Rupees in '000)-----		
Payable to the Management Company	3,803	3,803
Accrued expenses and other liabilities	10,205	10,205
	<u>14,008</u>	<u>14,008</u>

Liabilities

Payable to the Management Company
 Accrued expenses and other liabilities

-----As at June 30, 2010-----		
Loans and receivables	Assets 'as fair value through profit or loss'	Total
------(Rupees in '000)-----		
Balances with banks	74,872	74,872
Receivable against sale of investments	1,100	1,100
Investments	-	1,989,521
Profit receivable	2	2
	<u>75,974</u>	<u>1,989,521</u>
	<u>75,974</u>	<u>2,065,495</u>

Assets

Balances with banks
 Receivable against sale of investments
 Investments
 Profit receivable

-----As at June 30, 2010-----		
Liabilities at fair value through profit or loss	At Amortised cost	Total
------(Rupees in '000)-----		
Payable to the Management Company	2,980	2,980
Accrued expenses and other liabilities	1,095	1,095
	<u>4,075</u>	<u>4,075</u>

Liabilities

Payable to the Management Company
 Accrued expenses and other liabilities

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

19. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The carrying value of all financial assets and liabilities reflected in the financial statements approximate their fair values.

IFRS 7 "Financial Instruments : Disclosure" requires the Fund to classify fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels :

- 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).

----- As at June 30, 2011 -----			
Level 1	Level 2	Level 3	Total

----- (Rupees in '000) -----

ASSETS

Investment in securities - at fair value through profit or loss	-	2,632,650	-	2,632,650
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----- As at June 30, 2010 -----			
Level 1	Level 2	Level 3	Total

----- (Rupees in '000) -----

ASSETS

Investment in securities - at fair value through profit or loss	-	1,989,521	-	1,989,521
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19. UNIT HOLDERS' FUND RISK MANAGEMENT

The unit holders' fund is represented by redeemable units. They are entitled to distributions and to payment of a proportionate share based on the Fund's net asset value per unit on the redemption date. The relevant movements are shown on the Statement of Movement in Unit holders' Funds.

The Fund's objectives when managing unit holders' funds are to safeguard its ability to continue as a going concern so that it can continue to provide returns to unit holders and to maintain a strong base of assets under management.

In accordance with the risk management policies stated in note 17, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption requests, such liquidity being augmented by short-term borrowings arrangements (which can be entered if necessary) or disposal of investments where necessary.

20. NON-ADJUSTING EVENT AFTER THE REPORTING DATE

The Board of Directors of the Management Company in its meeting held on July 4, 2011 has declared a final distribution in respect of the year ended June 30, 2011 of Rs 1.1801 per unit (2010: Rs 0.6900 per unit) amounting to Rs 62.499 million (2010: Rs 28.066 million). The financial statements of the Fund for the year ended June 30, 2011 do not include the effect of this appropriation which will be accounted for in the financial statements for the year ending June 30, 2012.

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

22. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on 20th September 2011 by the Board of Directors of the Management Company.

23. CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. There where no major reclassifications during the year.

24. GENERAL

Figures have been rounded off to the nearest thousand rupees.

**For Arif Habib Investments Limited
(Mangement Company)**

Chief Executive

Director

**PAKISTAN CASH MANAGEMENT FUND
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2011**

Category	No. of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
FATIMA FERTILIZER COMPANY LIMITED	1	1,980,324
ARIF HABIB REIT MANAGEMENT LIMITED	1	220,166
ARIF HABIB REAL ESTATE SERVICES (PVT.) LTD.	1	84,445
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	15	15,754,936
Director, CEO and their spouses and minor children		
NASIM BEG	1	6,580
Trust	24	2,768,690
Corporate	1	2,327,169
Individuals	378	7,578,023
Others	35	22,240,545
	457	52,960,879

**PAKISTAN CASH MANAGEMENT FUND
PATTERN OF UNIT HOLDING (SIZE)
AS AT JUNE 30, 2011**

No. of Unit Holders	Units Holdings	Total Units Held
282	1 - 10000	792,917
122	10001 - 100000	3831323
38	100001 - 1000000	11,416,582
15	1000001 - onwards	36,920,057
<u>457</u>		<u>52,960,879</u>

PAKISTAN CASH MANAGEMENT FUND PERFORMANCE TABLE

	June 30, 2011	June 30, 2010	June 30, 2009	June 30, 2008
	(Rupees in '000)			
Net Assets	2,710,685	2,061,964	579,814	114,075
Net Income	313,035	167,210	22,533	2,526
	(Rupees per unit)			
Net Asset Value per Unit	51.1828	50.6935	50.6800	50.5400
Interim distribution per unit *	4.5500	4.6932	5.0400	0.6500
Final distribution per Unit	1.1801	0.6900	0.6750	0.5000
Distribution date-final	July 4, 2011	July 5, 2010	July 6, 2009	July 3, 2008
Year end offer price per unit	51.1828	50.6935	50.6800	50.5400
Year end repurchase price per unit	51.1828	50.6935	50.6800	50.5400
Highest offer price	50.6935	50.6807	50.6700	50.7000
Lowest offer price	50.6935	50.0700	50.0600	50.0800
Highest repurchase price per unit	51.1800	50.6807	50.6700	50.7000
Lowest repurchase price per unit	50.0400	50.0700	50.0600	50.0700
	(Percentage)			
Total return of the Fund				
Capital growth	-	0.52	0.52	0.33
Income Distribution	11.47	10.76	11.43	8.17
Average annual return				
One Year	12.00	11.28	11.95	8.50
Since inception	13.10	11.25	11.24	-
Waeighted average portfolio duration	48days	37days	42days	85days
* Interim Distribution	2011			
Date	Rate per Unit			
26th July 2010	0.35			
26th August 2010	0.42			
26th September 2010	0.42			
26th October 2010	0.42			
26th November 2010	0.42			
26th December 2010	0.42			
26th January 2011	0.42			
26th February 2011	0.42			
26th March 2011	0.42			
26th April 2011	0.42			
26th May 2011	0.42			

Disclaimer

The past performance is not necessarily indicative of future performance and unit prices and investments and returns may go down, as well as up.