

MCB
CASH MANAGEMENT OPTIMIZER

CONTENTS

Fund's Information	87
Report of the Directors of the Management Company	88
Condensed Interim Statement of Assets and Liabilities	89
Condensed Interim Income Statement	90
Condensed Interim Distribution Statement	91
Condensed Interim Cash Flow Statement	92
Condensed Interim Statement of Movement in Unit Holders' Funds	93
Notes to and Forming Part of the Condensed Interim Financial Statements	94

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 Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Company Secretary & Chief Financial Officer of the Management Company	Mr. Muhammad Saqib Saleem	
Audit Committee	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
Trustee	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
Bankers	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Habib Bank Limited Faysal Bank Limited United Bank Limited National Bank Of Pakistan Standard Chartered Bank Pakistan Limited Allied Bank 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	
Transfer Agent	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
Rating	AM2 (Positive Outlook) – Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED 30 JUNE 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Cash Management Optimizer's accounts review for the first quarter ended September 30th 2011.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflation has remained lower during the period with CPI inflation averaging 11.5% amid change in CPI methodology as well as high base-effect of last year. Like the major part of last year, external current account has also remained comfortable with a marginal deficit of US\$ 189 million during first two months of FY12. Fiscal side, on the other hand, has remained a cause of concern for the economic managers with FY11 deficit touching a level of 6.6% of the GDP (Rs. 1.2 trillion deficit size in absolute term). The government, however, has been able to keep its borrowing from SBP at lower levels, which coupled with lower inflation and contained current account deficit has compelled the central bank to lower its policy discount rate by 50 bps in Jul'11 monetary policy to bring it down to 13.5%.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. Due to depletion in net foreign assets (NFA) as well as net retirement in government borrowing from SBP, money supply (M2) has witnessed contraction during the period under review, thereby keeping market liquidity tight almost throughout the period. The SBP has constantly been injecting significant amount of money in the system through OMOs in order to calm down the market.

FUND PERFORMANCE

During the quarter under review, the fund generated an annualized return of 11.7% as against its benchmark return of 5.8%, an out performance of 5.9%.

The fund remained significantly invested in Treasury bills throughout the period with a focus on adjusting its portfolio duration to capitalize on the fluctuating liquidity and interest rates in the market.

FUTURE OUTLOOK

Given declining trend in CPI inflation coupled with a comfortable external account position, the Central bank has decided to lower its policy DR further by 150 bps to 12.0% for Oct'11 - Nov'11 period to trigger growth stimulus in the economy. We continue to flag foreign inflow as the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. In our opinion, the absence of foreign flows and government's greater reliance on domestic sources for fiscal funding could result in rebound of inflation and interest rates going forward.

In this fast changing interest rate environment, the fund would deploy its assets in attractive low risk instruments with a strong focus on its portfolio's duration to take advantage of the changing interest rate scenario.

ACKNOWLEDGMENT

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

On behalf of Directors,

Yasir Qadri
Chief Executive Officer

Dated: 26th October 2011
Karachi.

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT SEPTEMBER 30, 2011

	Note	Un-Audited Sept 30, 2011 (Rupees in '000)	Audited June 30, 2011 (Rupees in '000)
ASSETS			
Bank balances		1,842,277	2,586,205
Investments	4	6,808,903	6,894,081
Term Deposit Receipts		400,000	1,150,000
Profit and other receivables		13,322	42,597
Preliminary expenses and floatation costs		2,997	3,249
Total assets		9,067,500	10,676,132
LIABILITIES			
Payable to the Management Company		13,031	11,111
Payable to the Trustee		725	731
Payable to the Securities and Exchange Commission of Pakistan		2,075	6,858
Payable against purchase of investments		477,767	195,273
Accrued and other liabilities		101,399	69,038
Total liabilities		594,997	283,011
NET ASSETS		8,472,503	10,393,121
Unit holders' fund (as per statement attached)		8,472,503	103,671,790
		(Number of units)	
NUMBER OF UNITS IN ISSUE		84,667,322	103,671,790
		(Rupees)	(Rupees)
NET ASSET VALUE PER UNIT		100.07	100.25

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

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

Chief Executive

Director

CONDENSED INTERIM INCOME STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Note	September 30, 2011	September 30, 2010
		(Rupees in '000)	(Rupees in '000)
INCOME			
Capital gain on sale of investments		28,143	41,377
Income from government securities		326,765	118,405
Profit on money market placement		-	2,008
Profit on bank deposits and term deposit receipts		46,873	28,416
		401,782	190,206
Net unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		(30,385)	53,276
		371,396	243,482
EXPENSES			
Remuneration of the Management Company	5	42,491	24,348
Remuneration of the Trustee		2,339	2,278
Annual fee - Securities and Exchange Commission of Pakistan		2,075	1,520
Brokerage and settlement charges		426	336
Amortisation of preliminary expenses and floatation costs		252	252
Auditors' remuneration		221	227
Other expenses		263	285
		48,067	29,246
Net income from operating activities		323,329	214,236
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		(64,525)	(13,838)
Provision for Workers' Welfare Fund	6	(4,284)	(4,008)
Net income for the period before taxation		254,521	196,390
Taxation	7	-	-
Net income for the period after taxation		254,521	196,390
Other comprehensive income for the period		-	-
Total comprehensive income for the period		254,521	196,390
Earnings per unit	8		

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

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

Chief Executive

Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	September 30, 2011	September 30, 2010
	(Rupees in '000)	
Net Income brought forward	25,946	121,057
Interim distributions during the period ended September 30, 2010:		
On July 01, 2010 at Rs 1.8903 per unit		
- Cash distribution	-	(4,695)
- Bonus distribution	-	(116,362)
Interim distributions during the period ended September 30, 2011:		
On September 29, 2011 at Rs 3.1330 per unit		
- Cash distribution	(60,096)	-
- Bonus distribution	(209,841)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount forms part of the unit holders' fund	4,755	
Profit during the current period	254,521	196,390
Undistributed income carried forward	<u>15,284</u>	<u>196,390</u>

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

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

Chief Executive

Director

CONDENSED INTERIM STATEMENT OF CASH FLOWS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

	Note	September 30, 2011	September 30, 2010
(Rupees in '000)			
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period before taxation		254,521	196,390
Adjustments for non-cash charges and other items:			
Capital gain on sale of investments		(28,143)	(41,377)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'		30,385	(53,276)
Amortisation of preliminary expenses and floatation costs		252	252
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed		64,525	13,838
		321,540	115,827
(Increase) / decrease in assets			
Investments - net		4,822,059	3,949,192
Other receivables		29,275	3,312
		4,851,334	3,952,504
Increase / (decrease) in liabilities			
Payable to the Management Company		1,919	1,674
Payable to the Trustee		(6)	122
Payable to the Securities and Exchange Commission of Pakistan		(4,783)	(1,665)
Accrued and other liabilities		32,361	(14,041)
		29,491	(13,909)
Net cashflow used in operating activities		5,202,365	4,054,421
CASH FLOWS FROM FINANCING ACTIVITIES			
Net receipts from issue of units		4,871,638	4,020,883
Net payments on redemption of units		(7,051,206)	(3,135,467)
Cash dividend paid		(60,096)	(4,695)
Net cash generated from financing activities		(2,239,664)	880,721
Net increase in cash and cash equivalents during the period		2,962,701	4,935,142
Cash and cash equivalents at the beginning of the period		4,547,176	2,297,788
Cash and cash equivalents at the end of the period	9	7,509,877	7,232,930

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

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

Chief Executive

Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND (UN-AUDITED)
FOR THE QUARTER ENDED SEPTEMBER 30, 2011**

	September 30, 2011	September 30, 2010
	(Rupees in '000)	
Net asset at the beginning of the period	10,393,121	6,525,010
Issue of 48,020,189 units (September 30, 2010: 39,809,215 units)	4,871,638	4,020,883
Issue of 2,098,413 bonus units (September 30, 2010: 1,163,585 Bonus Units)	209,841	116,359
Redemption of 69,123,069 units (September 30, 2010: 30,816,736 units)	(7,051,206)	(3,135,467)
	(1,969,727)	1,001,774
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	64,525	13,838
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(30,385)	53,276
Capital gain on sale of investments	28,143	41,377
Other operating income	256,763	101,737
Net income for the period	254,521	196,390
Interim distributions during the period ended June 30, 2010:		
On July 01, 2010 at Rs 1.8903 per unit		
- Cash distribution	-	(4,695)
- Bonus distribution	-	(116,362)
Interim distributions during the period ended September 30, 2011:		
On September 29, 2011 at Rs 3.1330 per unit		
- Cash distribution	(60,096)	-
- Bonus distribution	(209,841)	-
Net assets as the close of the period	<u>8,472,503</u>	<u>7,615,955</u>

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

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

Chief Executive

Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL STATEMENTS (UN-AUDITED) FOR THE QUARTER ENDED SEPTEMBER 30, 2011

1 LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2009. It was constituted under a Trust Deed dated July 10, 2009 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

Based on shareholders' resolutions of MCB-AMC and Arif Habib Investments Limited (AHI) 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). AHI 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 SHC. The honourable 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.

- 1.1 The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.
- 1.2 The Fund is an open end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to/from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

- 1.3 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company. and a Stability Rating of "AA+(f) to the fund.

2 STATEMENT OF COMPLIANCE

2.1 These condensed interim 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 (IFRSs) 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 the 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 SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

2.2 These condensed interim financial statements are unaudited.

2.3 The directors of the asset management company declare that these financial statements give a true and fair view of the Fund.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual published financial statements of the Fund for the year ended June 30, 2011.

Note September 30, 2011 June 30 2011

(Rupees in '000)

4 INVESTMENTS

Financial assets at fair value through profit or loss - held for trading

- Investment in government securities	4.1	6,808,903	6,894,081
- Term Deposit Receipts	4.2	400,000	1,150,000
		<u>7,208,903</u>	<u>8,044,081</u>

4.1 Financial assets at fair value through profit or loss - held for trading - Investment in government securities

Government securities	Face Value					Balance as at September 30, 2011			Market value as a percentage of net assets	Market value as a percentage of total investment
	As at July 1, 2011	Purchased during the period	Disposed	Matured	As at Sept 30, 2011	Carrying Value	Market value	Appreciation / (diminution)		
-----Rupees in '000-----										
Treasury Bills - 1 year	1,000,000	424,500,000	-	1,000,000	424,500,000	404,361	410,438	6,077	4.84%	6.03%
Treasury Bills - 6 months	6,330,000,000	11,345,300,000	8,227,500,000	2,935,700,000	6,512,100,000	6,228,314	6,333,915	105,601	74.76%	93.02%
Treasury Bills - 3 months	825,000,000	2,180,500,000	2,481,000,000	459,500,000	65,000,000	64,282	64,550	268	0.76%	0.95%
Totals - September 30, 2011						<u>6,696,957</u>	<u>6,808,903</u>	<u>111,946</u>	<u>80.36%</u>	<u>100%</u>
Totals: June 30 2011						6,877,857	6,894,081	16,224	66.33	100.00

September 30, 2011 June 30 2011

(Rupees in '000)

4.2 TERM DEPOSIT RECEIPTS

Term Deposit Receipts	400,000	1,150,000
	<u>400,000</u>	<u>1,150,000</u>

5 REMUNERATION OF MANAGEMENT FEE

During the period, through Sindh sales tax on services Act 2011, General Sales Tax on Fund management services has been imposed @ 16%, effective from July 01, 2011.

6 PROVISION FOR 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 this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended June 30, 2011.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to 30 June 2010, the Honourable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the Sindh High Court (SHC), on the basis of this recent positive development, the management has decided not to accrue further provision against WWF. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has not reversed the provision of Rs. 37.250 million for WWF but decided not to accrue further provision against WWF. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs. 0.893 million.

7 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 period as the management company intends to distribute more than 90 percent of the Fund's accounting income for the period as reduced by capital gains (whether realised or unrealised) to its unit holders.

8 EARNINGS / (LOSS) PER UNIT

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

	Note	September 30, 2011	September 30, 2010
9 CASH AND CASH EQUIVALENTS		(Rupees in '000)	
Bank balances		1,842,277	616,870
Treasury bill		5,267,600	6,616,060
Term Deposit Receipts		400,000	-
		<u>7,509,877</u>	<u>7,232,930</u>

10 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

10.1 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.

10.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

10.3 Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

	For the quarter ended September 30, 2011	For the quarter ended September 30, 2010
10.4 Transactions with connected persons during the period		
MCB Bank Limited		
Profit received on deposit accounts	13,380	9,382
Management Company		
Remuneration of the Management Company	42,491	24,348
Issue of bonus units: 19,077 (Sept 2010: Nil units)	1,908	1,014
Staff Provident of Management Company		
Issue of bonus units: 679 (Sept 2010: 225 units)	68	22
Redemption of units: 4,465 (Sept 2010: NIL units)	450	-
Central Depository Company of Pakistan Limited-Trustee		
Fee charged during the period	2,339	2,278
Adamjee Insurance Company Limited		
Issue of units: 16,689,450 (Sept 2010: 4,442,884 units)	1,700,000	450,000
Issue of bonus units: 136,087 (Sept 2010: 29,375 units)	13,609	2,937
Redemption of units: 21,967,451 (Sept 2010: 3,550,030 units)	2,250,000	358,958
Adamjee Life Assurance Company Limited		
Issue of units: 33,848 (Sept 2010: Nil units)	3400	0
Issue of bonus units: 1,848 (Sept 2010: Nil units)	185	0
Redemption of units: 9,932 (Sept 2010: Nil units)	1,000	0
Key Management Personnel		
Issue of units: 14,129 (Sept 2010: 1,829 units)	1,425	185
Issue of bonus units: 742 (Sept 2010: 482 units)	74	48
Redemption of units: 12,220 (Sept 2010: 8,022 units)	1,246	813

	September 30 2011	June 30 2011
	(Rupees in '000)	
10.5 Amount outstanding as at period end		
MCB Bank Limited		
Bank balance	60,932	362,061
Profit receivable on deposit accounts	1,858	7,821
Management Company		
Remuneration payable to the Management Company	13,031	11,111
Units held: 627,969 (June 30, 2011: 608,892)	62,819	61,018
Central Depository Company of Pakistan Limited-Trustee		
Fee payable	725	731
Staff Provident of Management Company		
Units held: 22,372 (June 30, 2011: 26,158)	2,238	2,621
Adamjee Insurance Company Limited		
Units held: 4,479,757 (June 30, 2011: 9,621,671)	448,138	964,208
Adamjee Life Assurance Comapany Limited		
Units held: 60,840 (June 30, 2011: 35,075)	6,086	3,516
Key Management Personnel		
Units held : 24,445 (June 30, 2011: 21,670)	2,446	2,184

11 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on October 26, 2011 by the Board of Directors of the Management Company.

12 GENERAL

Figures have been rounded off to the nearest thousand rupees unless otherwise specified.

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

Chief Executive

Director