

# Quarterly Report

September 30, 2011  
(Unaudited)



Funds Under Mangement  
of  
Arif Habib Investments Limited  
A Subsidiary of  
MCB Bank Limited

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**MCB**  
**DYNAMIC CASH FUND**

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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
<b>Board of Directors of the Management Company</b>	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)
<b>Chief Financial Officer &amp; Company Secretary of the Management Company</b>	Mr. Muhammad Saqib Saleem	
<b>Audit Committee</b>	Mr. Nasim Beg Mr. Haroun Rashid Mr. Samad A. Habib Mr. Ali Munir	
<b>Trustee</b>	Central Depository Company of Pakistan Limited CDC House, 990B, Block 'B', S.M.C.H.S., Main Shahrah-e-Faisal, Karachi-74400	
<b>Bankers</b>	MCB Bank Limited Habib Metropolitan Bank Limited Bank Alfalah Limited Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited	
<b>Auditors</b>	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Transfer Agent</b>	Arif Habib Investments Limited 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.	
<b>Rating</b>	AM2 (Positive Outlook) Management Quality Rating assigned by PACRA	

## REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY FOR THE QUARTER ENDED SEPTEMBER 30, 2011

Dear Investor,

On behalf of the Board of Directors, I am pleased to present MCB Dynamic Cash Fund'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 13.0% as against its benchmark return of 12.8%, an out performance of 0.2%.

The fund has increased its exposure towards GoP Ijarah Sukuk to around 31% on the back of decent yield as well as capital gains potential. The fund has kept its exposure in good quality TFCs to the tune of around 27% while actively managed its exposure and duration in Treasury bills throughout the period 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 a fast changing interest rate environment, the fund would continue to maintain its focus on the credit quality of the portfolio while exploiting attractive opportunities in the market.

### ACKNOWLEDGMENT

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

On behalf of Directors,

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Yasir Qadri  
Chief Executive Officer

**Dated:** 26 October, 2011  
Karachi.

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

	Note	Unaudited SEPTEMBER 30, 2011 (Rupees in '000)	Audited June 30, 2011
<b>ASSETS</b>			
Balances with banks		1,362,268	2,124,800
Investments	4	3,814,361	3,149,605
Profit and other receivables	5	137,957	85,586
Security deposits and prepayments		3,374	3,488
Preliminary expenses and floatation costs		946	1,526
<b>Total assets</b>		5,318,906	5,365,005
<b>LIABILITIES</b>			
Payable to Management Company		7,193	5,780
Payable to Trustee		420	397
Annual fee payable to the Securities and Exchange Commission of Pakistan		969	3,913
Accrued expenses and other liabilities	6	64,012	335,215
<b>Total liabilities</b>		72,594	345,305
<b>NET ASSETS</b>		<u>5,246,312</u>	<u>5,019,700</u>
<b>Unit holders' fund (as per statement attached)</b>		<u>5,246,312</u>	<u>5,019,700</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	7	(Number of units)	
<b>NUMBER OF UNITS IN ISSUE</b>		<u>51,909,964</u>	<u>49,540,717</u>
		(Rupees)	
<b>NET ASSET VALUE PER UNIT</b>	3.1	<u>101.07</u>	<u>101.32</u>

The annexed notes 1 to 16 form an integral part of these condensed interim 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)-----	
<b>INCOME</b>			
Capital gain on sale of investments		1,929	5,286
Profit on bank deposits and term deposit receipts		28,053	15,800
Income from money market placements		73	128
Income from term finance certificates		45,008	70,810
Income from government securities		96,732	74,323
		<u>171,795</u>	<u>166,347</u>
Net unrealised appreciation / (diminution) on re-measurement of investments classified as financial assets 'at fair value through profit or loss'	4.1.4	<u>6,195</u>	<u>15,892</u>
<b>Total income</b>		<u>177,990</u>	<u>182,239</u>
<b>EXPENSES</b>			
Remuneration of Management Company	8	22,456	22,590
Remuneration of Trustee		1,305	1,758
Annual fee - Securities and Exchange Commission of Pakistan		969	1,130
Brokerage and settlement charges		334	611
Amortisation of preliminary expenses and floatation costs		580	580
Auditors' remuneration		279	256
(Reversal) / Provision against debt securities		(6,114)	(62,251)
Other expenses		269	323
<b>Total expenses</b>		<u>20,078</u>	<u>(35,003)</u>
<b>Net income from operating activities</b>		<u>157,912</u>	<u>217,242</u>
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		552	2,668
Provision for Workers' Welfare Fund		1,756	4,398
<b>Net income / (loss) for the period before taxation</b>		<u>156,708</u>	<u>215,512</u>
<b>Taxation</b>	11	-	-
<b>Net income for the period after taxation</b>		<u>156,708</u>	<u>215,512</u>
Other comprehensive income for the period		-	-
<b>Total comprehensive income for the period</b>		<u><u>156,708</u></u>	<u><u>215,512</u></u>
<b>Earnings per unit</b>	3.2		

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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)-----	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income before taxation		156,708	215,512
<b>Adjustments</b>			
Net unrealised (diminution) in the fair value of investments classified as 'financial assets at fair value through profit or loss'		(6,195)	(15,892)
Reversal of Provision on debt securities		(6,114)	62,251
Amortisation of preliminary expenses and floatation costs		580	580
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed		(552)	(2,668)
		<u>144,427</u>	<u>259,783</u>
<b>Working capital changes</b>			
<b>(Increase)/decrease in assets</b>			
Investments - net		(360,932)	1,238,659
Security deposits and prepayments		114	1,058
Dividend and other receivables		(52,341)	(32,863)
		(413,159)	1,206,854
<b>Increase/(decrease) in liabilities</b>			
Remuneration payable to the Management Company		1,413	774
Remuneration payable to the Trustee		23	51
Annual fee payable to the Securities and Exchange Commission of Pakistan		(2,944)	(5,099)
Accrued expenses and other liabilities		(271,203)	(196,523)
		(272,711)	(200,797)
<b>Net cash inflow from operating activities</b>		(541,443)	1,265,840
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net receipt against issue of units		1,235,324	1,977,084
Net payments on redemption of units		(1,151,075)	(1,898,878)
Cash distributions during the period		(13,793)	(26,850)
<b>Net cash from financing activities</b>		<u>70,456</u>	<u>51,356</u>
Net (decrease) / increase in cash and cash equivalents during the period		(470,987)	1,317,196
Cash and cash equivalents at beginning of the period	12	2,250,955	1,450,900
Cash and cash equivalents as at September 30, 2011	12	<u><u>1,779,968</u></u>	<u><u>2,768,096</u></u>

The annexed notes 1 to 16 form an integral part of these condensed interim 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)-----	
<b>Undistributed income brought forward</b>	65,627	197,396
Final distribution for the year ended June 30, 2010 at Rs 2.4194 per unit (Date of distribution July 01, 2010)		
- Cash distribution	-	(26,850)
- Bonus distribution	-	(112,820)
Interim distribution for the three months ended September 30, 2011 at Rs 3.3774 per unit (Date of distribution September 29, 2011)		
- Cash distribution	(13,793)	-
- Bonus distribution	(156,301)	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount representing unrealised income	3,139	2,017
<b>Net income for the period after taxation</b>	156,708	215,512
<b>Undistributed income carried forward</b>	<u>55,380</u>	<u>275,255</u>

The annexed notes 1 to 16 form an integral part of these condensed interim 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)-----	
<b>Net assets at beginning of the period</b>	5,019,700	5,970,309
Issue of 12,020,315 units (2010 : 19,198,513 units)	1,235,324	1,977,084
Issue of 1,117,032 bonus units in respect of final distribution for the year ended June 30, 2010	-	112,820
Issue of 1,547,538 bonus units in respect of interim distribution for the quarter ended September 30, 2011 (2010 : Nil Units)	156,301	-
Redemption of 11,198,604 units (2010 : 18,298,650 units)	(1,151,075)	(1,883,530)
	240,550	206,374
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed		
- amount representing (income) / loss and capital (gains) / losses - transferred to income statement	(552)	(2,668)
- amount representing (income) / loss that forms part of unit holders' fund - transferred to distribution statement	(3,139)	(2,017)
	(3,691)	(4,685)
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised income	3,139	2,017
Net unrealised (diminution) on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	6,195	15,892
Income from other operating activities	150,513	199,620
Net income for the period	156,708	215,512
Final distribution for the year ended June 30, 2010 at Rs 2.4194		
- Cash distribution	-	(26,850)
- Bonus distribution	-	(112,820)
Interim distribution during the quarter ended September 30, 2011 at Rs. 3.3774		
- Cash distribution	(13,793)	-
- Bonus distribution	(156,301)	-
<b>Net assets as at the end of the period</b>	<u>5,246,312</u>	<u>6,249,857</u>

The annexed notes 1 to 16 form an integral part of these condensed interim 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 Dynamic Cash Fund (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 and was approved as an investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on December 12, 2006. It was constituted under a Trust Deed dated November 9, 2006, amended by a Supplemental Trust Deed dated January 21, 2007 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 Sindh High Court. 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.

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.

The Fund is an open ended mutual fund and offers units for public subscription on a continuous basis. The units of the Fund are transferable and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange. The fund is categorized as an Open-End Income Scheme as per the criteria laid down by Securities and Exchange Commission of Pakistan for categorisation of Collective Investment Schemes (CIS). However, decision of SECP regarding categorisation of CIS is still pending.

The Fund invests primarily in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements, spread transactions and transactions under continuous funding system. The Fund may also invest a portion of the fund in medium term assets in order to provide higher return to unit holders.

The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of "AM2-" with Positive Outlook to the Management Company and a stability rating of "A+(f)" to the Fund.

## 2 BASIS OF PREPARATION

### 2.1 Statement of compliance

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 condensed interim financial statements give a true and fair view of the Fund.

**3 SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied 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.

**3.1 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 period end.

**3.2 Earnings per unit**

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

**4 INVESTMENTS**

	Note	Unaudited September 30, 2011	Audited 30-Jun-11
		Rupees in '000	
Financial assets at fair value through profit or loss	4.1	3,514,361	1,727,976
Loans and receivables	4.2	300,000	-
		<u>3,814,361</u>	<u>5,659,187</u>
<b>4.1 Financial assets at fair value through profit or loss</b>			
Listed debt securities	4.1.1	879,212	737,485
Unlisted debt securities	4.1.2	610,634	(757,148)
Government securities	4.1.2.1	2,082,086	1,747,639
		3,571,932	1,727,976
Less: Provision against term finance certificates			
- Listed		-	-
- Unlisted	0	(57,571)	63,876
		<u>(57,571)</u>	<u>63,876</u>
		<u>3,514,361</u>	<u>1,664,100</u>
<b>4.2 Loans and receivables</b>	4.1.3	<u>300,000</u>	<u>-</u>

## 4.1.1 Listed debt securities - term finance certificates

Certificates have a face value of Rs. 5,000/- each unless stated otherwise.

Name of investee company	Number of Certificates					Balance as at Sept 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	Matured during the period	Disposed during the period	As at Sept 30, 2011	Carrying value	Market value			
										Appreciation / (diminution)
-----Rupees in '000-----										
Commercial banks										
Allied Bank Limited (December 6, 2006, issue)	11,800	-	-	-	11,800	60,180	59,840	(340)	1.14	1.57
Askari Bank Limited (February 4, 2005, issue)	12,530	-	-	-	12,530	62,675	62,762	87	1.20	1.65
Askari Bank Limited (November 18, 2009, issue)	23,000	-	-	-	23,000	118,877	118,877	-	2.27	3.12
Bank Alfalah Limited (November 23, 2004, issue)	22,079	-	-	-	22,079	110,879	110,618	(261)	2.11	2.90
Faysal Bank Limited	7,515	-	-	-	7,515	37,912	37,723	(189)	0.72	0.99
NIB Bank Limited	14,176	-	-	-	14,176	68,227	68,158	(69)	1.30	1.79
Royal Bank of Scotland	300	-	-	-	300	756	754	(2)	0.01	0.02
Soneri Bank Limited	4,000	-	-	-	4,000	19,632	19,983	351	0.38	0.52
Standard Chartered Bank (Pakistan) Limited	10,000	-	-	-	10,000	35,747	35,581	(166)	0.68	0.93
United Bank Limited (February 14, 2008, issue)	51,761	-	-	-	51,761	255,120	257,321	2,201	4.90	6.75
United Bank Limited (September 8, 2006, issue)	15,000	-	-	-	15,000	75,782	74,854	(928)	1.43	1.96
United Bank Limited -TFC (August 10, 2004)	3,100	-	-	-	3,100	9,496	9,766	270	0.19	0.26
Fertilizer										
Engro Chemical Pakistan Limited (November 30, 2007, issue)	162	-	-	-	162	779	762	(17)	0.01	0.02
Leasing Companies										
Saudi Pak Leasing Company Limited	10,000	-	-	-	10,000	21,845	22,213	368	0.42	0.58
Total - September 30, 2011										
	185,423	-	-	-	185,423	877,907	879,212	1,305	16.76	23.06
Total - June 30, 2011										
	282,504	102,660	-	231,820	153,344	715,337	737,485	22,148	14.70	23.40

## 4.1.2 Unlisted debt securities - term finance certificates

Certificates have a face value of Rs. 5,000/- each unless stated otherwise.

Name of investee company	Number of Certificates				Balance as at Sept 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	Matured during the period	Disposed during the period	As at Sept 30, 2011	Carrying value	Market value			
-----Rupees in '000-----										
Bank AlFalah Limited TFC (June 15, 2009, issue Floating)	11,500	-	-	-	11,500	58,270	58,270	-	1.11	1.53
Engro Chemical Pakistan Limited - Perpetual	2,419	-	-	-	2,419	11,369	11,369	-	0.22	0.30
Jahangir Siddiqui Company Limited	24,000	-	-	-	24,000	119,923	119,840	(83)	2.28	3.14
JDW Sugar Mills Limited	15,000	-	-	-	15,000	44,657	46,375	1,718	0.88	1.22
Maple Leaf Cement Factory Limited I	71,000	-	-	-	71,000	216,734	216,935	201	4.13	5.69
Maple Leaf Cement Factory Limited II	2,662	-	-	-	2,662	9,312	9,331	19	0.18	0.24
New Allied Electronics Industries (Pvt) Limited	10,000	-	-	-	10,000	22,337	22,337	-	0.43	0.59
New Allied Electronics Industries (Pvt.) Limited - Sukuk	112,000	-	-	-	112,000	35,234	35,234	-	0.67	0.92
Askari Bank Limited	6,980	-	-	-	6,980	35,241	35,059	(182)	0.67	0.92
Security Leasing Corporation Limited Sukuk	5,000	-	-	-	5,000	5,329	6,830	1,501	0.13	0.18
Security Leasing Corporation Limited PPFTFC	10,000	-	-	-	10,000	7,788	8,152	364	0.16	0.21
Bank AlFalah Limited TFC (December 02, 2009, issue Fixed)	-	8,000	-	-	8,000	40,036	40,902	866	0.78	1.07
<b>Total - September 30, 2011</b>	270,561	8,000	-	-	278,561	606,230	610,634	4,404	11.64	16.01
<b>Total - June 30, 2011</b>	362,041	43,059	-	102,060	303,040	770,885	728,357	(42,528)	14.51	23.13

4.1.2.1 During the period, privately placed sukuk bonds of Security Leasing Company Limited has been classified as performing debt securities in accordance with circular no. 768 of 2010 issued by the Securities and Exchange Commission of Pakistan and accordingly provisions amounting to Rs 6.114 million has been reversed during the period.

## 4.1.3 Investment in government securities - 'At fair value through profit or loss'

Name of investee company	Face Value					Balance as at Sept 30, 2011			Market value as a percentage of total investment
	As at July 1, 2011	Purchased during the period	Disposed during the period	Matured during the period	As at Sept 30, 2011	Carrying value	Market value	Appreciation / (diminution)	
-----Rupees in '000-----									
Treasury Bills - 1 year	-	300,000	100,000	-	200,000	179,370	179,152	(218)	3.41
Treasury Bills - 6 months	86,000	2,590,900	2,393,500	186,000	97,400	96,220	96,432	212	1.84
Treasury Bills - 3 months	129,000	1,855,300	680,000	1,284,000	20,300	20,103	20,159	56	0.53
National Saving Bonds	99,900	-	10,000	-	89,900	89,900	89,900	-	1.71
Pakistan Investment Bonds - 10 years	50,000	-	-	-	50,000	49,143	49,579	436	0.95
Pakistan Investment Bonds - 05 years	-	275,000	275,000	-	-	-	-	-	-
Pakistan Investment Bonds - 03 years	25,000	600,000	600,000	25,000	-	-	-	-	-
GoP Ijara Sukuk Certificate VII - 03 years	1,360,000	561,000	280,000	-	1,641,000	1,646,864	1,646,864	-	31.39
									43.18

## 4.1.4 Net unrealised diminution on re-measurement of investments classified as financial 'assets at fair value through profit or loss'

Market value of debt securities	4.1.1, 4.1.2, 4.1.3					3,571,932	3,213,481
Carrying Value of investment	4.1.1, 4.1.2, 4.1.3					3,565,737	3,233,144
						6,195	(19,663)

## 4.1.5 Movement in provision against debt securities

<b>Opening balance</b>						63,876	128,991
Charge for the year						-	6,305
Less: Reversal of provision						(6,305)	(71,420)
Charge for the year - net						(6,305)	(65,115)
<b>Closing balance</b>						57,571	63,876

**4.2 Loans and receivables**

Particulars	Profit / mark-up rate	Maturity date	Closing balance as at September 30, 2011	Value as a percentage of net assets	Value as a percentage of investment
Rs in '000					
Term deposit receipts	13.75%	December 3, 2011	300,000	5.72	7.87
<b>Total - September 30, 2011</b>			<b>300,000</b>	<b>5.72</b>	<b>7.87</b>
<b>Total - June 30, 2011</b>			-	-	-

**Unaudited**  
**September 30,**  
**2011**

**Audited**  
**June 30,**  
**2011**

(Rupees in '000)

**5 DIVIDEND AND OTHER RECEIVABLES**

Profit on term deposits	2,938	-
Profit on savings deposits	5,312	4,349
Income accrued on term finance certificates	40,019	69,949
Profit receivable on government securities	86,037	8,036
Others	3,651	3,282
	<u>137,957</u>	<u>85,616</u>

**6 ACCRUED EXPENSES AND OTHER LIABILITIES**

Auditors' remuneration	289.00	470
Withholding tax payable	29.00	18
Sales load payable	1,374	6,378
Dividend payable	13,793	12,315
Provision for Workers' Welfare Fund	47,799	46,042
Others	728.00	532
	<u>64,012.00</u>	<u>65,755</u>

**7 CONTINGENCIES AND COMMITMENTS**

There were no contingencies and commitments outstanding as at September 30, 2011.

**8 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. Management fee charged to the fund includes the imposed tax.

**9 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 2011, 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 existing provision of Rs. 47.799 million for WWF. The aggregate unrecognised amount of WWF as at September 30, 2011 amounted to Rs. 1.378 million.

# 10 COMPLIANCE WITH THE INVESTMENT CRITERIA AS SPECIFIED BY THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

The Securities and Exchange Commission of Pakistan vide circular no. 7 of 2009 dated March 6, 2009 required all Asset Management Companies to classify funds under their management on the basis of categorisation criteria laid down in the circular. MCB Asset Management Company Limited (Management Company) classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at March 31, 2011, the Fund is compliant with all the requirements of the said circular except for clause 9 (v) which requires that the rating of any security in the portfolio shall not be lower than investment grade:

Category of non-compliant investment	Type of Investment / Name of Company	Outstanding face value	Value of investment before provision	Provision held, if any	Value of investment after provision	Percentage of net assets	Percentage of gross assets
Investment in Debt securities (9.2)							
	a) Maple Leaf Cement Factory Limited Sukuk	354,473	216,935	-	216,935	4.13	4.08
	b) Maple Leaf Cement Factory Limited Sukuk II	13,310	9,331	-	9,331	0.18	0.18
	c) New Allied Electronics Industries (Pvt) Limited	22,337	22,337	22,337	-	-	-
	d) New Allied Electronics Industries Pvt. Limited - Sukuk	35,234	35,234	35,234	-	-	-
	e) Security Leasing Corporation Limited Sukuk	9,766	6,830	-	6,830	0.13	0.13
	f) Security Leasing Corporation Limited TFC	11,719	8,152	-	8,152	0.16	0.15
	g) Saudi Pak Leasing Company Limited TFC	34,353	22,213	-	22,213	0.42	0.42

**10.1** At the time of purchase, the TFCs and Sukuks were in compliance with the aforementioned circular. However, they subsequently defaulted or were downgraded to non investment grade.

# 11 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 ninety percent of its accounting income for the period, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund intends to distribute such accounting income, if any, for the year ending June 30, 2011 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

# 12 CASH AND CASH EQUIVALENTS

	Sept 30, 2011	Sept 30, 2010
	(Rupees in '000)	
Bank balances	1,362,268	207,599
Term deposit receipts	300,000	-
Treasury Bills	117,700	2,560,497
	<u>1,779,968</u>	<u>2,768,096</u>

# 13 TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

**13.1** 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.

**13.2** The transactions with connected persons are in the normal course of business and at contracted rates.

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

Quarter ended	
September 30, 2011	September 30, 2010
----- (Rupees '000) -----	

**13.4 Details of transactions with connected persons are as follows:****MCB Bank Limited**

Profit received on deposit accounts	13,667	1,400
Redemption of Nil units (2010: 3,412,052 units)	-	346,553
Distribution of Nil Bonus units (2010: 79,822 units)	-	8,062
Bank charges	-	5

**Management Company**

Remuneration of management company	22,456	22,590
Issue of 1,071,538 units (2010: Nil units)	111,650	-
Redemption of 269,873 units (2010: Nil units)	28,000	-
Distribution of 91,036 Bonus units (2010: 60,722 units)	9,195	6,133

**MCB Employees Provident Fund**

Distribution of 25,670 Bonus units (2010: 15,964 units)	2,593	1,612
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**MCB Employees Pension Fund**

Distribution of 25,670 Bonus units (2010: 15,964 units)	2,593	1,612
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**Central Depository Company of Pakistan Limited - Trustee**

Remuneration and settlement charges for the period	1,308	1,760
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**Adamjee Insurance Company Limited**

Distribution of 233,914 Bonus units (2010: 167,863 units)	23,625	16,954
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**Adamjee Insurance Company Limited - Employees Provident Fund**

Redemption of Nil units (2010: 178,077 units)	-	18,086
Distribution of Nil Bonus units (2010: 4,166 units)	-	421

**D.G Khan Cement Company Limited Employees Provident Fund Trust**

Distribution of 77 Bonus units (2010: 48 units)	8	5
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**Staff Provident Fund Of The Management Company**

Distribution of 450 Bonus units (2010: 280 units)	45	28
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**Adamjee Life Assurance Company Limited**

Issue of Nil units (2010: 425,881 units)	-	44,000
Redemption of Nil units (2010: 372,024 units)	-	38,000
Distribution of 699 Bonus units (2010: 1,445 units)	71	146

**Key management personnel**

Issue of 8,702 units (2010: 770 units)	906	80
Redemption of 7,350 units (2010: 7,017 units)	562	721
Distribution of 2,016 Bonus units (2010: 1,148 units)	204	116

	September 30, 2011	June 30, 2011
	(Rupees in '000)	
<b>13.5 Amount outstanding as at period / year end</b>		
<b>MCB Bank Limited</b>		
Bank balance	299,768	571,205
Profit receivable on deposit accounts	1,384	1,535
<b>Management Company</b>		
Remuneration payable to management company	7,193	5,780
2,813,428 units held as at September 30, 2011 (June 30, 2011: 1920,728 units)	284,341	194,617
<b>Adamjee Insurance Company Limited</b>		
7,229,026 units held as at September 30, 2011 (June 30, 2011: 6,995,112 units)	730,606	708,778
<b>MCB Employees Provident Fund</b>		
793,333 units held as at September 30, 2011 (June 30, 2011: 767,663 units)	80,179	77,783
<b>MCB Employees Pension Fund</b>		
793,333 units held as at September 30, 2011 (June 30, 2011: 767,663 units)	80,179	77,783
<b>Staff Provident Fund Of The Management Company</b>		
13,894 units held as at September 30, 2011 (June 30, 2011: 13,444 units)	1,404	1,362
<b>D.G Khan Cement Company Limited Employees Provident Fund Trust</b>		
2,386 units held as at September 30, 2011 (June 30, 2011: 2,309 units)	241	234
<b>Adamjee Life Assurance Company Limited</b>		
21,592 units held as at September 30, 2011 (June 30, 2011: 20,893 units)	2,182	2,117
<b>Central Depository Company of Pakistan Limited - Trustee</b>		
Security deposit	200	200
Remuneration and settlement charges payable	420	397
<b>Key management personnel</b>		
62,318 units held as at September 30, 2011 (June 30, 2011: 61,907 units)	6,298	6,273

**14 DATE OF AUTHORIZATION FOR ISSUE**

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

**15 GENERAL**

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

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

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

\_\_\_\_\_  
Director