

MCB
DYNAMIC CASH FUND

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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)
Chief Financial Officer & Company Secretary 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 Bank Al-Habib Limited Faysal Bank Limited NIB Bank Limited Allied Bank Limited	
Auditors	M. Yousuf Adil Saleem & Co. Chartered Accountants Cavish Court, A-35, Block 7 & 8, KCHSU, Shahrah-e-Faisal, Karachi.	
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 HALF YEAR AND QUARTER ENDED DECEMBER 31, 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 half ended December 31st 2011.

ECONOMY AND MONEY MARKET OVERVIEW

On the macroeconomic front, inflationary pressures have remained largely on the lower side during the period with YoY CPI inflation averaging 10.9% amid change in CPI methodology as well as high base-effect of last year. External account, however, has started deteriorating significantly with 1H FY12 current account balance posting a sizeable deficit of US\$ 2.2 billion amid higher trade deficit despite record remittances flows. On the fiscal side, the government posted a budget deficit of 1.2% of GDP during 1Q FY12 with its entire funding coming from the domestic sources. Non-realization of official flows is not only hurting the BOP position, it would continue to affect the funding profile of fiscal deficit - which would have its implications on the monetary mechanism as well as exchange rate. Citing some improvements in key macro variables, the SBP decided to ease its monetary stance by lowering its policy discount rate cumulatively by 200 bps to 12.0% during early part of the period. Significant deterioration in macroeconomic balances, however, has compelled them to keep DR unchanged during the latter part.

In the money market, short term market rates remained on the higher side amid tight liquidity scenario in the system. Due to sizeable depletion in net foreign assets (NFA) of the banking system, market liquidity remained largely tight almost throughout the period - compelling the SBP to constantly inject 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 11.0% as against its benchmark return of 12.6%, an under performance by 1.6%.

The fund has kept its exposure towards GoP Ijarah Sukuk largely unchanged during the period to around 24% amid decent yield as well as capital gains potential. The fund has kept its exposure in good quality TFCs to the tune of around 28% while actively managed its exposure and duration in conventional Government papers throughout the period to capitalize on the fluctuating liquidity and interest rates in the market. Near December quarter-end, the fund was able to exploit attractive opportunities in TDRs and bank deposits, the exposure of which went up to 14.9% as against 0% at the beginning of the period under review.

FUTURE OUTLOOK

Despite continued improvement on inflation front, fragile external and fiscal accounts would continue to keep a check on the SBP's future monetary direction. We continue to flag realization of foreign flows 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,

Yasir Qadri
Chief Executive Officer
Dated: January 27, 2012

TRUSTEE REPORT TO THE UNIT HOLDERS

Report of the Trustee pursuant to Regulation 41(h) of the Non-Banking Finance Companies and Notified Entities Regulations, 2008

We Central Depository Company of Pakistan Limited, being the Trustee of MCB Dynamic Cash Fund (the Fund) are of the opinion that Arif Habib Investments Limited being the Management Company of the Fund has in all material respects managed the Fund during the six months period ended December 31, 2011 in accordance with the provisions of the following:

- (i) Limitations imposed on the investment powers of the Management Company under the constitutive documents of the Fund;
- (ii) The pricing, issuance and redemption of units are carried out in accordance with the requirements of the constitutive documents of the Fund; and
- (iii) The Non-Banking Finance Companies (Establishment and Regulations) Rules, 2003, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the constitutive documents of the Fund.

Muhammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: February 23, 2012

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

Introduction

We have reviewed the accompanying condensed interim balance sheet of MCB Dynamic Cash Fund (the Fund) as at December 31, 2011, and the related condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holder's fund together with the notes forming part thereof (here-in-after referred to as the 'interim financial information'), for the six month period ended December 31, 2011. The Management Company (Arif Habib Investments Limited) is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holder's fund for the quarters ended December 31, 2011 and 2010 have not been reviewed, as we are required to review only the cumulative figures for the six month period ended December 31, 2011.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six month period ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan.

Other Matter

The financial statements of the Fund for the year ended June 30, 2011 were audited by another firm of Chartered Accountants who vide their report dated October 24, 2011 issued a qualified opinion on a basis of recognizing income on Sukuks of Maple Leaf Cement Factory Limited - Sukuk I on receipt basis instead of accruing for the income.

M. Yousuf Adil Saleem & Co.
Chartered Accountants
Engagement Partner: Mushtaq Ali Hirani
Karachi

Dated: January 27, 2012

CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES AS AT DECEMBER 31, 2011

	Note	Unaudited December 31, 2011 ------(Rupees in '000)-----	Audited June 30, 2011 ------(Rupees in '000)-----
Assets			
Balances with banks		1,281,584	2,124,800
Investments	5	4,270,447	3,149,605
Profit, deposit and other receivables	6	101,845	85,586
Receivable against sale of investments		309,187	-
Security deposits and prepayments		3,281	3,488
Preliminary expenses and floatation costs		366	1,526
Total assets		5,966,710	5,365,005
Liabilities			
Payable to Management Company		8,481	5,780
Payable to Trustee		477	397
Annual fee payable to the Securities and Exchange Commission of Pakistan		1,986	3,913
Payable against purchase of investments		91,794	-
Accrued expenses and other liabilities	7	63,131	335,215
Total liabilities		165,869	345,305
NET ASSETS		5,800,841	5,019,700
Unit holders' fund (as per statement attached)		5,800,841	5,019,700
(Number of units)			
Number of units in issue		56,045,949	49,540,717
------(Rupees)-----			
Net assets value per unit (Face value per unit Rs. 100/- each)		103.50	101.32

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM INCOME STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

		Half year ended December 31,	Quarter ended December 31,	
	Note	2011	2010	2011 2010
		----- (Rupees in '000) -----		
Income				
Capital gain on sale of investments		9,889	77,019	7,960 71,733
Profit on bank deposits and term deposit receipts		62,604	23,644	34,551 7,844
Income from money market placements		73	2,497	- 2,369
Income from term finance certificates		106,110	141,545	61,102 70,735
Income from government securities		184,681	140,038	87,949 65,715
		363,357	384,743	191,562 218,396
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		6,667	(22,607)	6,115 (25,275)
Net unrealised diminution on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	5.1.4	(2,221)	(27,813)	(8,416) (43,705)
Total income		367,803	334,323	189,261 149,416
Operating expenses				
Remuneration of the Management Company		39,691	44,377	20,332 21,787
Sales tax on remuneration of the Management Company		6,351	-	3,254 -
Remuneration of the Trustee		2,656	3,463	1,351 1,705
Annual fee - Securities and Exchange Commission of Pakistan		1,986	2,219	1,017 1,089
Securities transaction cost		690	1,101	356 490
Amortisation of preliminary expenses and floatation costs		1,160	1,160	580 580
Auditors' remuneration		519	497	240 241
Provision / (Reversal) against debt securities		20,264	(54,748)	26,378 7,503
Other expenses		636	500	367 177
Total operating expenses		73,953	(1,431)	53,875 33,572
Net income for the period		293,850	335,754	135,386 115,844
Provision for Workers' Welfare Fund	8	(1,756)	(6,715)	- (2,317)
Net income for the period before taxation		292,094	329,039	135,386 113,527
Taxation	9	-	-	- -
Net income for the period after taxation		292,094	329,039	135,386 113,527
Other comprehensive income for the period		-	-	- -
Total comprehensive income for the period		292,094	329,039	135,386 113,527
Earnings per unit	10			

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM DISTRIBUTION STATEMENT (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	------(Rupees in '000)-----			
Undistributed income brought forward	65,630	197,396	55,383	275,255
Final distribution for the year ended June 30, 2010 at Rs 2.4194 per unit (Date of distribution July 02, 2010)				
- Cash	-	(26,850)	-	-
- Bonus	-	(112,820)	-	-
Interim distribution for the year ended June 30, 2011 at Rs 2.7051 per unit (Date of distribution October 18, 2010)				
- Cash	-	(18,293)	-	(18,293)
- Bonus	-	(139,560)	-	(139,560)
Interim distribution for the half year ended December 31, 2011 at Rs 3.3774 per unit (Date of distribution September 29, 2011)				
- Cash	(13,793)	-	-	-
- Bonus	(156,301)	-	-	-
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed - amount that forms part of the unit holders' fund	8,617	(8,541)	5,478	(10,558)
Net income for the period after taxation	292,094	329,039	135,386	113,527
Undistributed income carried forward	196,247	220,371	196,247	220,371

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUNDS (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
Net assets at beginning of the period	5,019,700	5,970,309	5,246,312	6,249,857
Issue of 33,487,309 units (2010: 25,545,361 units) and 21,466,994 units (2010: 6,346,849 units) for the half year and quarter respectively	3,433,707	2,613,942	2,198,383	636,858
Redemption of 28,666,176 units (2010: 36,578,685 units) and 17,467,572 units (2010: 18,280,035 units) for the half year and quarter respectively	(2,924,200)	(3,751,604)	(1,773,125)	(1,868,074)
Issue of 1,547,538 bonus units relating to the period ended June 30, 2011 (2010: 1,117,032 bonus units)	156,301	112,820	-	-
Issue of 1,374,977 bonus units in respect of interim distribution for the year half ended December 31, 2010	-	139,560	-	139,560
	665,808	(885,282)	425,258	(1,091,656)
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	(6,667)	22,607	(6,115)	25,275
- amount representing (income) / loss that forms part of unit holders'- fund transferred to distribution statement	(8,617)	8,541	(5,478)	10,558
	(15,284)	31,148	(11,593)	35,833
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - transferred to the income statement	8,617	(8,541)	5,478	(10,558)
Net income for the period	292,094	329,039	135,386	113,527
Final distribution for the period ended June 30, 2010 at Rs 2.4194 per unit				
- Cash	-	(26,850)	-	-
- Bonus	-	(112,820)	-	-
Interim distribution for the half year ended December 31, 2011 at Rs 3.3774 (2010: Rs 2.7051) per unit				
- Cash	(13,793)	(18,293)	-	(18,293)
- Bonus	(156,301)	(139,560)	-	(139,560)
Net assets as at end of the period	5,800,841	5,139,150	5,800,841	5,139,150

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

	Half year ended December 31,		Quarter ended December 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
CASH FLOWS FROM OPERATING ACTIVITIES				
Net income before taxation	292,094	329,039	135,386	113,527
Adjustments				
Profit on bank deposits and term deposit receipts	(62,604)	(23,644)	(34,551)	(7,844)
Income from money market placements	(73)	(2,497)	-	(2,369)
Income from term finance certificates	(106,110)	(141,545)	(61,102)	(70,735)
Income from government securities	(184,681)	(140,038)	(87,949)	(65,715)
Net unrealised diminution in the fair value of investments classified 'as financial assets at fair value through profit or loss'	2,221	27,813	8,416	43,705
Provision / (Reversal) against debt securities	20,264	(54,748)	26,378	7,503
Amortisation of preliminary expenses and floatation costs	1,160	1,160	580	580
Element of income / (losses) and capital gains / (losses) included in prices of units issued less those in units redeemed	(6,667)	22,607	(6,115)	25,275
Net cash flows from operations before working capital changes	(44,396)	18,147	(18,957)	43,927
Working capital changes				
<i>(Increase)/decrease in assets</i>				
Investments - net	(394,482)	1,973,068	(33,580)	770,127
Receivable against sale of investments	(309,187)	174,249	(309,187)	94,139
Security deposits and prepayments	207	1,112	93	54
Other receivables	(975)	(606)	(606)	31,856
	(704,437)	2,322,072	(343,280)	990,315
<i>Increase/(decrease) in liabilities</i>				
Payable to the Management Company	2,701	(121)	1,288	(895)
Payable to the Trustee	80	(5)	57	(56)
Payable to Securities and Exchange Commission of Pakistan	(1,927)	(4,010)	1,017	1,089
Payable against purchase of investments	91,794	(205,583)	91,794	-
Accrued expenses and other liabilities	(272,084)	6,211	(881)	(2,849)
	(179,436)	(203,508)	93,275	(2,711)
Mark-up received on term finance certificates	124,439	143,059	49,531	70,785
Profit received on bank deposit and term deposit receipts	53,012	20,927	28,860	3,813
Income received from money market placements	73	348	-	220
Income received from government securities	160,660	122,906	141,929	51,762
Net cash (used in) / generated from operating activities	(590,085)	2,423,951	(48,642)	1,158,111
CASH FLOWS FROM FINANCING ACTIVITIES				
Net receipt against issue of units	3,433,707	2,613,942	2,198,383	636,858
Net payments on redemption of units	(2,924,200)	(3,765,477)	(1,773,125)	(1,866,599)
Cash distributions during the period	(13,793)	(45,143)	-	(18,293)
Net cash from / (used in) financing activities	495,714	(1,196,678)	425,258	(1,248,034)
Net (decrease) / increase in cash and cash equivalents during the period	(94,371)	1,227,273	376,616	(89,923)
Cash and cash equivalents at beginning of the period	2,250,955	1,450,900	1,779,968	2,768,096
Cash and cash equivalents as at end of the period	11 2,156,584	2,678,173	2,156,584	2,678,173

The annexed notes form an integral part of this condensed interim financial information.

For Arif Habib Investments Limited
(Management Company)

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION (UNAUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Dynamic Cash Fund (the Fund) was established under a Trust Deed dated, November 09, 2006, executed between MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) as the Management Company and Central Depository Company of Pakistan Limited as the Trustee. The Trust Deed was amended through a supplemental Trust Deed dated January 21, 2007. The Fund was approved by the Securities and Exchange Commission of Pakistan (SECP) as a Collective Investment Scheme under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 on December 12, 2006.

1.1. Based on shareholder's resolution of MCB Asset Management Company Limited and Arif Habib Investments Limited the two companies have merged as of June 27, 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 & AHIL/348/2011 dated June 27, 2011). Since the merger had already taken place and subsequent order of the SECP could not be complied with, the company has sought a ruling by the honorable Sindh High Court (SHC). The honorable Sindh High Court (SHC) has held the SECP's subsequent order in abeyance and instruct the SECP to treat the companies as merged pending the final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

1.2. The Management Company of the fund has been licensed to act as an 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 has been categorized as an open ended fixed income 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 primarily invests in money market and other short-term instruments which includes short-term corporate debt and government securities, repurchase agreements, spread transactions and transactions under marginal trading system. The fund may also invest a portion of the fund in medium term assets in order to provide higher return to the unit holders.

1.3. Title to the assets of the fund is held in the name of Central Depository Company of Pakistan Limited as Trustee of the Fund.

1.4. The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2 to the Management Company dated February 9, 2011 and a rating of "A+(f)" to the Fund dated March 3, 2011.

2. STATEMENT OF COMPLIANCE

2.1 This condensed interim financial information 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.

2.2 This condensed interim financial information comprise of condensed interim statement of assets and liabilities, condensed interim income statement, condensed interim distribution statement, condensed interim cash flow statement and condensed interim statement of movement in unit holders' fund together with the notes forming part thereof. The disclosures made in this condensed interim financial information have, however, been limited based on the requirements of the International Accounting Standard 34, 'Interim Financial Reporting'. It does not include all the information and disclosures made in the annual published financial statement and should be read in conjunction with the financial statements of the Fund for the year ended June 30, 2011. Comparative information of the condensed interim income statement, condensed interim cash flow statement, condensed interim distribution statement and condensed interim statement of movement in unit holders' fund for the six months period ended December 31, 2011 and the three months period ended December 31, 2011 are un-audited and have been included to facilitate comparison.

2.3 This condensed interim financial information is unaudited. However, limited scope review has been performed by the statutory auditors in accordance with the requirements of clause (xxi) of the Code of Corporate Governance and this condensed interim financial information are being circulated to the unit holders as required under the NBFC Regulations.

2.4 The directors of the asset management company declare that this condensed interim financial information give a true and fair view of the Fund.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and methods of computation adopted for the preparation of this condensed interim financial information 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.

4. STANDARDS AND INTERPRETATIONS ADOPTED WITH NO EFFECT ON THE CONDENSED INTERIM FINANCIAL INFORMATION

4.1 Standards, interpretations and amendments to published approved accounting standards that are effective in the current period:

The following new standards and amendments to existing standards are mandatory for the first time for the financial year beginning July 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 adoption of the revised standard did not have any impact on the Fund's condensed interim financial information.
- IFRS 7 (amendment) 'Financial instruments: Disclosures'. This amendment was part of the IASB's annual improvement project published in May 2010. The amendment emphasizes the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. Adoption of this amendment did not have any impact on the Fund's condensed interim financial information.

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the period and are mandatory for accounting periods beginning on or after July 1, 2011 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not disclosed in this condensed interim financial information.

4.2 Standards, interpretations and amendments to published approved accounting standards, as adopted in Pakistan, that are not yet effective:

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that are mandatory for accounting periods beginning on or after July 1, 2012 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 this condensed interim financial information.

5. INVESTMENTS

Financial assets at fair value through profit or loss
Loans and receivables

Note	December 31, 2011	June 30, 2011
	Rupees in '000	
5.1	3,395,447	3,149,605
5.2	875,000	-
	4,270,447	3,149,605

5.1 Financial assets at fair value through profit or loss

Listed debt securities	5.1.1	875,936	737,485
Unlisted debt securities	5.1.2	765,057	664,481
Government securities	5.1.3	1,754,454	1,747,639
		3,395,447	3,149,605

5.1.1 Listed debt securities - term finance certificates

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

Name of investee company	Date of Issue	As at July 1, 2011	Purchased during the period	Matured during the period	Disposed during the period	As at Dec 31, 2011	Balance as at December 31, 2011				Market value as a percentage of total investment
							Cost	Market value	Appreciat on / (diminutio n)	Market value as a percentage of net assets	
Number of Certificates—Rupees in '000—%											
Banks											
Allied Bank Limited Askari Bank Limited Askari Bank Limited Faysal Bank Limited NIB Bank Limited Faysal Bank Ltd. (formerly Royal Bank of Scotland) Soneri Bank Limited United Bank Limited United Bank Limited United Bank Limited	December 6, 2006	11,800	-	-	-	11,800	60,169	59,014	(1,155)	1.02	1.38
	February 4, 2005	12,530	-	-	-	12,530	62,675	62,437	(238)	1.08	1.46
	November 18, 2009	23,000	-	-	-	23,000	118,854	117,640	(1,214)	2.03	2.75
	November 12, 2007	7,515	-	-	-	7,515	37,904	37,263	(641)	0.64	0.87
	March 5, 2008	14,176	-	-	-	14,176	68,227	69,370	1,143	1.20	1.62
	February 10, 2005	300	-	-	-	300	756	752	(4)	0.01	0.02
	May 5, 2005	4,000	-	-	-	4,000	14,644	14,868	224	0.26	0.35
	September 8, 2006	15,000	-	-	-	15,000	75,782	74,606	(1,176)	1.29	1.75
	August 10, 2004	3,100	-	-	-	3,100	9,496	9,766	270	0.17	0.23
	February 14, 2008	51,761	30,247	-	-	-	82,008	405,974	408,222	2,248	7.04
Chemicals											
Engro Chemical Pakistan Limited	November 30, 2007	162	-	-	-	162	778	793	15	0.01	0.02
Financial Services											
Saudi Pak Leasing Company Limited	March 13, 2008	10,000	-	-	-	10,000	21,846	22,767	921	0.39	0.53
Total - December 31, 2011											
		153,344	30,247	-	-	183,591	877,105	877,498	393	15.14	20.54
Less: Provision against listed debt securities(refer note 5.1.1.1)											
		1,562									
		875,936									
Total - June 30, 2011											
		282,504	102,660	-	231,820	153,344	715,337	737,485	22,148	14.70	23.40

5.1.1.1

This represents provision against term finance certificates of Saudi Pak Leasing Company Limited due to non receipt of the principal redemptions and profits from October to December 2011. The management has recognized this provision based on the provisioning policy approved by the Board of Directors (Board) in addition to the discretionary valuation rate approved by the Board on the recommendation of the Investment Committee on September 29, 2011. The income suspended on these term finance certificates amounted to Rs. 1.96 million during the period ended December 31, 2011.

**NOTES TO AND FORMING PART OF THE CONDENSED
INTERIM FINANCIAL INFORMATION (UN-AUDITED)**

**FOR THE HALF YEAR AND
QUARTER ENDED DECEMBER 31, 2011**

5.1.2 Unlisted debt securities - term finance certificates

Name of investee company	Date of Issue	As at July 1, 2011	Purchased during the period	Matured during the period	Disposed during the period	As at Dec 31, 2011	Balance as at December 31, 2011					
							Cost	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment	
-----Number of Certificates-----							-----Rupees in '000-----				----- % -----	
Bank Alfalah Limited	June 15, 2009	11,500	-	-	-	11,500	58,259	57,684	(575)	0.99	1.35	
Bank Alfalah Limited	November 23, 2004	22,079	-	-	-	22,079	74,172	73,393	(779)	1.27	1.72	
Engro Chemical Pakistan Limited	March 18, 2008	2,419	-	-	-	2,419	11,369	11,936	567	0.21	0.28	
Jahangir Siddiqui Company Limited	July 4, 2007	24,000	-	-	-	24,000	119,923	119,695	(228)	2.06	2.80	
JDW Sugar Mills Limited	June 23, 2008	15,000	-	-	-	15,000	39,657	40,940	1,283	0.71	0.96	
Standard chartered Bank (Pak) Ltd.	February 1, 2006	10,000	-	-	5,600	4,400	15,729	15,748	19	0.27	0.37	
Maple Leaf Cement Factory Limited - Sukuk	December 3, 2007	71,000	-	-	-	71,000	216,659	216,889	230	3.74	5.08	
Maple Leaf Cement Factory Limited - Sukuk	March 31, 2010	2,662	-	-	-	2,662	9,310	9,353	43	0.16	0.22	
New Allied Electronics Industries (Pvt.) Limited	May 15, 2007	10,400	-	-	-	10,400	22,337	22,337	-	0.39	0.52	
New Allied Electronics Industries (Pvt.) Limited - Sukuk	July 25, 2007	112,000	-	-	-	112,000	35,233	35,233	-	0.61	0.83	
Security Leasing Corporation Limited - Sukuk	March 18, 2010	5,000	-	-	-	5,000	4,352	6,151	1,799	0.11	0.14	
Security Leasing Corporation Limited	March 28, 2006	10,000	-	-	-	10,000	6,616	7,347	731	0.13	0.17	
Askari Bank Ltd	October 31, 2005	6,980	-	-	-	6,980	35,234	34,666	(568)	0.60	0.81	
Askari Bank Ltd	December 23, 2011	-	20,000	-	-	20,000	100,000	100,000	-	1.72	2.34	
Bank Alfalah Limited - Fixed	December 2, 2009	-	18,700	-	-	18,700	95,695	96,262	567	1.66	2.25	
Total - December 31, 2011							844,545	847,634	3,089	15	20	
Total - June 30, 2011							770,885	728,357	(42,528)	14.51	23.13	

	Unaudited December 31, 2011	Audited June 30, 2011
	(Rupees in '000)	
5.1.2.1 Market value of unlisted debt securities	847,634	728,357
Less: Provision against unlisted debt securities	82,577	63,876
	<u>765,057</u>	<u>664,481</u>

**FOR THE HALF YEAR AND
QUARTER ENDED DECEMBER 31, 2011**

Unaudited December 31, 2011 (Rupees in '000)	22,337 35,233	57,570 6,305 (6,305)	- 25,007 25,007 82,577
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5.1.2.2 Particulars of provision against unlisted debt securities

New Allied Electronics Industries (Private) Limited - term finance certificates - Opening
New Allied Electronics Industries (Private) Limited - sukuk bonds - Opening

Security Leasing Corporation Limited - sukuk bond - Opening
Less: Reversals during the period due to reclassification as 'performing securities'

Maple Leaf Cement Factory Limited - Opening
Add: Provision during the period due to classification as 'non-performing securities'

Total provision against unlisted debt securities

5.1.2.2.1

These represent investments in privately placed Term Finance Certificates (TFCs) and Sukuk bonds of the investee company. These investments were fully provided. The management has recognized impairment loss amounting to Rs 57.57 million till December 31, 2011 which represents the full amount of the Fund's investment in TFCs and Sukuk bonds, in accordance with the comprehensive provisioning policy duly approved by the Board of Directors. In addition, the income accrued on these TFCs and Sukuk bonds has also been suspended by the management.

5.1.2.2.2

This represents provision against Sukuk bonds of Maple Leaf Cement Factory Limited due to non receipt of the profits for September and December 2011 quarters. The management has recognized this provision based on the provisioning policy approved by the Board of Directors (Board) in addition to the discretionary valuation rate on the decision of the Investment Committee. The income suspended on these term finance certificates amounted to Rs. 3.64 million during the period ended December 31, 2011.

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

Name of investee company	Face Value				Balance as at December 31, 2011					
	As at July 1, 2011	Purchased during the period	Disposed / matured during the period	Matured during the year	As at December 31, 2011	Cost	Market value	Appreciation / (diminution)	Market value as a percentage of net assets	Market value as a percentage of total investment
										%
										Rupees in '000-
Treasury Bills - 1 year	-	1,489,000	1,389,000	-	100,000	91,866	91,683	(183)	1.58	2.15
Treasury Bills - 6 months	86,000	4,860,600	2,988,500	1,958,100	-	-	-	-	-	-
Treasury Bills - 3 months	129,000	2,327,300	780,000	1,676,300	-	-	-	-	-	-
National Saving Bonds	99,900	-	10,000	-	89,900	89,900	89,900	-	1.55	2.11
Pakistan Investment Bonds - 10 years	50,000	200,000	150,000	-	100,000	99,563	94,581	(4,982)	1.63	2.21
Pakistan Investment Bonds - 05 years	-	777,700	725,000	-	52,700	51,501	50,963	(538)	0.88	1.19
Pakistan Investment Bonds - 03 years	25,000	900,000	925,000	-	-	-	-	-	-	-
GoP Ijara Sukuk - 3 years (refer note 5.1.3.1)	13,600	937,000	880,000	-	70,600	1,427,327	1,427,327	-	24.61	33.42
Total - December 31, 2011	403,500	11,491,600	7,847,500	3,634,400	413,200	1,760,157	1,754,454	(5,703)	30.25	41.08
Total - June 30, 2011	2,688,900	26,280,400	25,283,800	3,282,000	403,500	1,746,922	1,747,639	717	34.82	55.49

5.1.3.1 Financial Market Association of Pakistan (FMAP) is currently in the process of devising a revised benchmark for the purpose of revaluation of GoP Ijarah Sukuk. State Bank of Pakistan (SBP) vide letter no. DMMD/MPRD-FMAP/9329 dated December 28, 2011 has given concurrence on proposal of FMAP for devising a revised benchmark for revaluation of GoP Ijarah Sukuk subject to approval of SECP and SBP. Further, MUFAP has approached SECP vide e-mail dated December 30, 2011 drawing attention towards difficulties in determining pricing of GoP Ijarah Sukuk.

In view of the above, the management has carried the underlying investment at cost till the time the valuation methodology is prescribed by the SECP.

	Note	Unaudited December 31, 2011	Audited June 30, 2011
		(Rupees in '000)	
5.1.4 Net unrealized diminution on re-measurement of investments classified as financial assets at fair value through profit or loss'			
Market value investments	5.1.1, 5.1.2, 5.1.3	3,479,586	3,213,481
Carrying value investments	5.1.1, 5.1.2, 5.1.3	3,481,807	3,233,144
		(2,221)	(19,663)

5.2 Loans and receivables

Particulars	Profit / mark-up rate %	Maturity date	Closing balance as at December 31, 2011	Value as a percentage of net assets	Value as a percentage of investment
			(Rupees in '000)	----- % -----	
Term deposit receipts	12.10 - 12.75	At various dates by January 2012	875,000	15.08	20.00
Total - December 31, 2011			875,000		
Total - June 30, 2011			-	-	-

5.3 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 categorization criteria laid down in the circular. Arif Habib Investments Limited (Management Company) classified MCB Dynamic Cash Fund (the Fund) as 'Income Scheme' in accordance with the said circular. As at December 31, 2011, the Fund is compliant with all the requirements of the said circular except for:

i) Rating of securities in the portfolio in the following cases are lower than investment grade, which is against clause 9(v):

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
-----Rupees in '000'-----							
Investment in Debt securities							
	a) Maple Leaf Cement Factory Limited	354,398	216,659	25,007	191,652	3.30%	3.21%
	b) Maple Leaf Cement Factory Limited	13,310	9,353	-	9,353	0.16%	0.16%
	c) New Allied Electronics Industries (Pvt.) Limited	21,980	21,980	21,980	-	0.00%	0.00%
	d) New Allied Electronics Industries (Pvt.) Limited - Sukuk	35,233	35,233	35,233	-	0.00%	0.00%
	e) Security Leasing Corporation Limited Sukuk	8,790	6,151	-	6,151	0.11%	0.10%
	f) Security Leasing Corporation Limited	10,547	7,347	-	7,347	0.13%	0.12%
	g) Saudi Pak Leasing Company Limited	32,792	22,767	1,562	21,205	0.37%	0.36%

The rating of the above investment were not lower than the investment grade at the time of making investment.

	Note	Unaudited December 31, 2011	Audited June 30, 2011
(Rupees in '000)			
6. PROFIT, DEPOSIT AND OTHER RECEIVABLES			
Income accrued on term finance certificates		51,590	69,919
Profit receivable on government securities		32,057	8,036
Profit on savings deposits		10,635	4,349
Profit on term deposits		3,306	-
Deposit		3,388	2,534
Others		869	748
		101,845	85,586
7. ACCRUED EXPENSES AND OTHER LIABILITIES			
Provision for Workers' Welfare Fund	8	47,799	46,042
Sales load payable		14,448	6,378
Auditors' remuneration		479	470
Withholding tax payable		29	18
Capital gain tax payable		44	-
Dividend payable		-	12,315
Advance received for issuance of units		-	269,460
Others		332	532
		63,131	335,215

8. CONTINGENCY

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 Honorable 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.

Subsequently, 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.

During the period, 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 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 Honourable High Court of Sindh. On the basis of recent development, the Management Company, as a matter of abundant caution, has not reversed the existing provision of Rs.47.799 million for WWF, however the management has suspended making further provision effective from August 25, 2011. The aggregate unrecognised amount of WWF as at December 31, 2011 amounted to Rs. 4.12 million.

9. 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 realized or unrealized, 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 realized or unrealized) to its unit holders.

10. EARNINGS PER UNIT

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

	Unaudited December 31, 2011	Audited June 30, 2011
	(Rupees in '000)	
11. CASH AND CASH EQUIVALENTS		
Bank balances	1,281,584	2,124,800
Term Deposit Receipts	875,000	-
Treasury bills	-	126,155
	<u>2,156,584</u>	<u>2,250,955</u>

12. SALES TAX ON REMUNERATION OF THE MANAGEMENT COMPANY

During the current period, the provincial government has levied General Sales Tax at the rate of 16% on the remuneration of the Management Company through Sindh Sales Tax on Services Act 2011 effective from July 1, 2011.

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, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel and other associated undertaking.

13.2 Remuneration to the Management Company and Trustee are determined in accordance with the provisions of Non-Banking Finance Companies and Notified Entities Regulations, 2008 and the Trust Deed of the Fund. All other transactions with connected persons are in the normal course of business and are carried out on agreed terms.

13.3 Detail of transactions with connected persons during the period and balances with them at period end are as follows:

13.4 Details of transactions with connected persons are as follows:

	Unaudited			
	Half year ended		Quarter ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(Rupees '000)			
Management Company				
Remuneration	46,042	44,377	23,586	21,787
Issue of 1,640,142 units (2010: Nil units)	170,520	-	58,870	-
Redemption of 1,288,755 units (2010: Nil units)	132,000	-	104,000	-
Distribution of 91,036 Bonus units (2010: 129,898 units)	9,195	13,154	-	7,021
Sale load	20,576	17,074	14,472	1,700
Trustee				
Remuneration and settlement charges for the period	2,662	3,466	1,354	1,706
MCB Bank Limited				
Profit received on deposit accounts	19,261	2,077	5,594	677
Redemption of Nil units (2010: 3,412,052 units)	-	346,553	-	-
Distribution of Nil Bonus units (2010: 79,822 units)	-	8,062	-	-
Bank charges	9	11	9	6
MCB Employees Provident Fund				
Distribution of 25,670 Bonus units (2010: 34,151 units)	2,593	3,458	-	1,846
MCB Employees Pension Fund				
Distribution of 25,670 Bonus units (2010: 34,151 units)	2,593	3,458	-	1,846
Adamjee Insurance Company Limited				
Issue of 3,871,318 units (2010: Nil units)	406,000	-	406,000	-
Redemption of 2,776,438 units (2010: 972,873 units)	286,746	100,000	286,746	100,000
Distribution of 233,914 Bonus units (2010: 359,097 units)	23,625	36,364	-	19,410
Key management personnel				
Issue of 14,725 units (2010: 26,720 units)	1,541	2,730	635	2,650
Redemption of 10,130 units (2010: 8,188 units)	1,032	842	470	121
Distribution of 2,308 Bonus units (2010: 2,298 units)	233	223	29	107

	December 31, 2011	June 30, 2011
	(Rupees in '000)	
13.5 Amount outstanding as at period end		
Management Company		
Remuneration	8,481	5,780
2,363,151 units held as at December 31, 2011 (June 30, 2011: 1920,728 units)	244,522	194,617
Sale load	14,448	6,378
Trustee		
Security deposit	200	200
Remuneration and settlement charges payable	477	397
MCB Bank Limited		
Bank balance	16,965	571,205
Profit receivable on deposit accounts	5,594	1,535
MCB Employees Provident Fund		
793,333 units held as at December 31, 2011 (June 30, 2011: 767,663 units)	82,088	77,783
MCB Employees Pension Fund		
793,333 units held as at December 31, 2011 (June 30, 2011: 767,663 units)	82,088	77,783
Staff Provident Fund Of The Management Company		
13,894 units held as at December 31, 2011 (June 30, 2011: 13,444 units)	1,438	1,362
Adamjee Insurance Company Limited		
8,323,906 units held as at December 31, 2011 (June 30, 2011: 6,995,112 units)	861,298	708,778
Adamjee Life Assurance Company Limited		
120,274 units held as at December 31, 2011 (June 30, 2011: 20,893 units)	12,445	2,117
D.G Khan Cement Company Limited Employees Provident Fund Trust		
66,157 units held as at December 31, 2011 (June 30, 2011: 2,309 units)	2,359	234
Key management personnel		
69,101 units held as at December 31, 2011 (June 30, 2011: 61,907 units)	7,153	6,273

14. ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of condensed interim financial information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgments made by the management in applying the accounting policies and the key sources of estimation uncertainty were consistent as those that applied to financial statements as at and for the year ended June 30, 2011.

15. DATE OF AUTHORIZATION FOR ISSUE

This condensed interim financial information was authorized for issue on January 27, 2012 by the Board of Directors of the Management Company.

16. GENERAL

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

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

Yasir Qadri
Chief Executive Officer

Nasim Beg
Director