

**PAKISTAN  
CASH MANAGEMENT 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>	Habib Metropolitan Bank Limited 8th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.	
<b>Bankers</b>	Habib Metropolitan Bank Limited Bank Alfalah Limited Standard Chartered Bank (Pakistan) Limited	
<b>Auditors</b>	A.F. Ferguson & Co. - Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000.	
<b>Legal Advisor</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Registrar</b>	Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
<b>Rating</b>	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**

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Dear Investor,

On behalf of the Board of Directors, I am pleased to present Pakistan Cash Management 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 period under review, the fund generated an annualized return of 11.7% as against its benchmark return of 10.2%, an out performance of 1.5%.

Overall, 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. At period-end, the fund kept an exposure of around 93% in T-Bills as against 97% at the beginning of the period.

## **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 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,

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Yasir Qadri  
Chief Executive Officer  
Dated: January 27, 2012

## TRUSTEE REPORT TO THE UNIT HOLDERS

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the six months period ended 31 December 2011 in accordance with the provisions of the following:

- (i) investment limitations imposed on the Management Company and the Trustee under the trust deed and other applicable laws;
- (ii) valuation or pricing is carried out in accordance with the trust deed and any regulatory requirement;
- (iii) creation and cancellation of units are carried out in accordance with the trust deed;
- (iv) and any regulatory requirement.

For the purpose of information, the attention of unit holders is drawn towards note 5.1 to the interim financial statements, which refer to an uncertainty relating to the future outcome of the litigation regarding contribution to Workers Welfare Fund, which is currently pending adjudication at the Honorable High Court of Sindh.

Karachi: February 23, 2012

**Azam Zaidi**

Senior Executive Vice President  
Habib Metropolitan Bank Limited

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

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## *Introduction*

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

## *Scope of Review*

We conducted our review in accordance with the 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 condensed interim financial information as of and for the half year ended December 31, 2011 is not prepared, in all material respects, in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.

## *Emphasis of matter paragraph*

We draw attention to note 5.1 to the condensed interim financial information which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers Welfare Fund which litigation is currently pending adjudication at the Honorable High Court of Sindh. Our conclusion is not qualified in respect of this matter.

Chartered Accountants

Dated: January 27, 2012

Karachi

# CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES (UNAUDITED)

## As at 31 December 2011

	Note	Un-Audited December 31, 2011	Audited June 30, 2011
----- (Rupees in '000) -----			
<b>ASSETS</b>			
Balances with banks		137,536	91,458
Investments	4	1,758,340	2,632,650
Receivable against sale of units		2,400	562
Profit receivable		270	624
Receivable from the Management Company		32	67
Preliminary expenses and floatation costs		245	344
<b>Total assets</b>		1,898,823	2,725,705
<b>LIABILITIES</b>			
Payable to the Management Company		2,120	3,803
Accrued expenses and other liabilities		318	11,217
<b>Total liabilities</b>		2,438	15,020
<b>NET ASSETS</b>		<u>1,896,385</u>	<u>2,710,685</u>
<b>UNIT HOLDERS' FUND (As per statement attached)</b>		<u>1,896,385</u>	<u>2,710,685</u>
<b>CONTINGENCIES AND COMMITMENTS</b>			
	5		
		<b>(Number of units)</b>	
<b>Number of units in issue</b>		<u>37,693,735</u>	<u>52,960,879</u>
		<b>(Rupees)</b>	
<b>Net asset value per unit</b>	3.4	<u>50.3103</u>	<u>51.1828</u>

The annexed notes from 1 to 12 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

	Note	Half year ended December 31,		Quarter ended December 31,	
		2011	2010	2011	2010
		----- (Rupees in '000) -----			
<b>INCOME</b>					
Income from investments in government securities		130,013	159,654	59,004	83,910
Capital gain / (loss) on sale of investments - net		971	74	1,356	(24)
Profit on bank deposits		2,682	2,280	1,625	1,682
Income from reverse repurchase transactions of government securities		653	197	149	-
Other income		1	4	1	4
Unrealised diminution in the fair value of investments classified as 'at fair value through profit or loss' - net		(402)	(288)	(1,119)	(220)
<b>Total income</b>		<b>133,918</b>	<b>161,921</b>	<b>61,016</b>	<b>85,352</b>
<b>OPERATING EXPENSES</b>					
Performance fee of the Management Company		13,167	16,020	5,914	8,535
Sindh sales tax on performance fee of Management Company	6	2,107	-	947	-
Securities transaction costs		127	145	44	96
Legal and professional charges		42	63	24	32
Amortisation of preliminary expenses and floatation costs		99	101	49	50
<b>Total operating expenses</b>		<b>15,542</b>	<b>16,329</b>	<b>6,978</b>	<b>8,713</b>
<b>Net income from operating activities</b>		<b>118,376</b>	<b>145,592</b>	<b>54,038</b>	<b>76,639</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed - net		(3,856)	(1,160)	(764)	(1,726)
<b>Net income for the period before taxation</b>		<b>114,520</b>	<b>144,432</b>	<b>53,274</b>	<b>74,913</b>
<b>Taxation</b>	7	-	-	-	-
<b>Net income for the period after taxation</b>		<b>114,520</b>	<b>144,432</b>	<b>53,274</b>	<b>74,913</b>
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the period</b>		<b>114,520</b>	<b>144,432</b>	<b>53,274</b>	<b>74,913</b>
Earnings per unit	3.5				

The annexed notes from 1 to 12 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

	Note	Half year ended December 31,		Quarter ended December 31,	
		2011	2010	2011	2010
		----- (Rupees in '000) -----			
Undistributed income brought forward		62,643	28,208	8,609	8,210
Final distribution for the year ended June 30, 2011:					
Rs 1.1801 per unit (2010: Re 0.6900 per unit)					
(Date of distribution: July 4, 2011)					
- Bonus units		(59,899)	(26,683)	-	-
- Cash distribution		(2,601)	(1,382)	-	-
		143	143	8,609	8,210
Net income for the period after taxation		114,520	144,432	53,274	74,913
Interim distributions during the half year and quarter ended December 31, 2011 and December 31, 2010 respectively					
- Bonus units	8	(99,007)	(124,446)	(48,999)	(65,378)
- Cash distribution	8	(3,919)	(4,993)	(1,147)	(2,609)
Element of (loss) / income and capital (losses) / gains included in the prices of units issued less those in units redeemed		(41)	-	(41)	
Undistributed income carried forward		11,696	15,136	11,696	15,136

The annexed notes from 1 to 12 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	2,710,685	2,061,964	1,930,439	2,294,971
Issue of 22,437,262 units (2010: 47,574,978 units) and 11,631,668 units (2010: 27,670,862 units) for the half year and quarter respectively	1,129,242	2,390,995	585,490	1,478,478
Redemption of 40,875,943 units (2010: 47,690,889 units) and 15,546,532 units (2010: 32,246,891 units) for the half year and quarter respectively	(2,055,398)	(2,368,285)	(672,435)	(1,623,588)
	(926,156)	22,710	(86,945)	(145,110)
Issue of 3,171,537 bonus units (2010: 3,015,924 units) and 975,351 bonus units (2010: nil) for the half year and quarter respectively	158,906	151,129	99,007	65,378
	(767,250)	173,839	12,062	(79,732)
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- amount representing loss and capital losses - transferred to income statement	3,856	1,160	764	1,726
- amount representing loss and capital losses - transferred to distribution statement	41	-	41	-
	3,897	1,160	805	1,726
Capital gain / (loss) on sale of investments - net	971	74	1,356	(24)
Unrealised diminution in the value of investments classified as at fair value through profit or loss' - net	(402)	(288)	(1,119)	(220)
Other net income for the period	113,951	144,646	53,037	75,157
	114,520	144,432	53,274	74,913
Element of loss / (income) and capital losses / (gains) included in prices of units sold less those in units redeemed				
- amount representing loss and capital losses - transferred to distribution statement	(41)	-	(41)	-
Final distribution for the year ended June 30, 2011: Rs 1.1801 per unit (2010: Re 0.6900 per unit) (Date of distribution: July 4, 2011)				
-Bonus units	(59,899)	(26,683)	-	-
-Cash distribution	(2,601)	(1,382)	-	-
Interim distributions during the half year and quarter ended December 31, 2011 and December 31, 2010 respectively				
-Bonus units	(99,007)	(124,446)	(99,007)	(65,378)
-Cash distribution	(3,919)	(4,993)	(1,147)	(2,609)
Net assets as at end of the period	1,896,385	2,223,891	1,896,385	2,223,891

The annexed notes from 1 to 12 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 ) -----			
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Net income for the period before taxation	114,520	144,432	53,274	74,913
<b>Adjustments for non-cash charges and other items:</b>				
Unrealised diminution in the fair value of investments classified as 'at fair value through profit or loss' - net	402	288	1,119	220
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net	3,856	1,160	764	1,726
Amortisation of preliminary expenses and floatation costs	99	101	49	50
	118,877	145,981	55,206	76,909
<b>Decrease / (increase) in assets</b>				
Investments	873,908	(50,066)	106,113	158,153
Receivable against sale of units	(1,838)	(1,790)	(1,540)	(2,120)
Profit receivable	354	(469)	16	(258)
Other receivables	35	(28)	737	(15)
	872,459	(52,353)	105,326	155,760
<b>(Decrease) / increase in liabilities</b>				
Payable to the Management Company	(1,683)	401	(624)	210
Accrued expenses and other liabilities	(10,899)	21,624	(2,310)	21,348
	(12,582)	22,025	(2,934)	21,558
<b>Net cash generated from operating activities</b>	978,754	115,653	157,598	254,227
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Net (payment) / receipts on redemption / issuance of units	(926,156)	22,710	(86,945)	(145,110)
Dividend paid	(6,520)	(6,375)	(1,147)	(2,609)
<b>Net cash (outflow on) / inflow from financing activities</b>	(932,676)	16,335	(88,092)	(147,719)
<b>Net increase in cash and cash equivalents during the period</b>	46,078	131,988	69,506	106,508
Cash and cash equivalents at the beginning of the period	91,458	74,872	68,030	100,352
<b>Cash and cash equivalents at the end of the period</b>	137,536	206,860	137,536	206,860

The annexed notes from 1 to 12 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 (UN-AUDITED) FOR THE HALF YEAR AND QUARTER ENDED DECEMBER 31, 2011

## 1. LEGAL STATUS AND NATURE OF BUSINESS

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

The Management Company of the Fund has been licensed to act as the Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 through a certificate of registration issued by SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

Based on shareholders' resolutions of MCB Asset Management Limited (MCB-AMC) and AHIL 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). AHIL being a listed company is the surviving entity and 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 the subsequent order of the SECP could not be complied with, the Company has sought a ruling by the honourable Sindh High Court (SHC). The honourable 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.

PCF is an open-end mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as money market scheme by the Board of Directors of the Asset Management Company.

Pakistan Credit Rating Agency Limited (PACRA) has assigned an asset manager rating of 'AM2' (positive outlook) to the Management Company and a stability rating of AAA (f) to the Fund.

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

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

## 2. BASIS OF PREPARATION

- 2.1 This condensed interim financial information has been prepared in accordance with the approved accounting standards as applicable in Pakistan for interim financial reporting. Approved accounting standards comprise of International Accounting Standard (IAS) 34: 'Interim Financial Reporting', the Trust Deed, Non Banking Finance Companies (Establishment and Regulation) Rules, 2003 (NBFC Rules), Non Banking Finance Companies and Notified Entities Regulations 2008 (NBFC Regulations) and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IAS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.
- 2.2 This condensed interim financial information does not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the annual published financial statements of the Fund for the year ended June 30, 2011.
- 2.3 This condensed interim financial information is unaudited. However, a limited scope review has been performed by the external auditors in accordance with the requirements of the Code of Corporate Governance. Accordingly, the Board of Directors of the Management Company declare that this condensed interim financial information gives a true and fair view of the state of affairs of the Fund.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies applied 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.

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

During the period the Fund has revised the methodology for determination of element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed. As per the revised methodology, element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed to the extent that it is represented by income earned during the year is recognised in income statement and the remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is included in the distribution statement. Previously, the proportion of opening undistributed income received / paid on issue / redemption of units was being recognised in the income statement.

The revised methodology, in the opinion of the management, would ensure that continuing unit holders' share of undistributed income remains unchanged on issue and redemption of units. The change did not have any impact on the net assets value (NAV) of the Fund. Had the management not revised its methodology:

- income for the period would have been lower by Rs 41 thousand.
- amount taken to distribution statement would have been higher by Rs 41 thousand.

**3.2 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 periods 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 emphasises 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.

**3.3 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.

**3.4 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 issue at the period end.

**3.5 Earnings per unit**

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

**4 INVESTMENTS**

**At fair value through profit or loss**

Market Treasury Bills

Note	Un-audited December 31, 2011	Audited June 30, 2011
	----- (Rupees in '000) -----	
4.1	1,758,340	2,632,650

**4.1 At fair value through profit or loss**

Particulars	..... Face value .....				Balance as at December 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
	As at July 1, 2011	Purchases during the period	Sales / Matured during the period	As at December 31, 2011	Carrying value	Market value	Appreciation / (Diminution)		
(Rupees in '000)									
Market Treasury Bills									
Treasury Bill - 3 Months	2,680,000	1,915,600	(3,718,800)	876,800	865,319	865,018	(301)	49.20	45.61
Treasury Bill - 6 Months	-	5,202,500	(4,297,500)	905,000	893,423	893,322	(101)	50.80	47.11
Total as at December 31, 2011					1,758,742	1,758,340	(402)		
Total as at June 30, 2011					2,633,408	2,632,650	(758)		

## **5 CONTINGENCIES AND COMMITMENTS**

- 5.1** 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", "SHC"), challenging the applicability of WWF to the CISs, which is pending adjudication.

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 the year ended June 30, 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 SHC. However, pending the decision of the said constitutional petition, the Management Company believes that the Pakistan Cash Management Fund is not liable to contribute to WWF and hence no provision has been recognised by the Management Company. The aggregate unrecognized amount of WWF as at December 31, 2011 amounted to Rs 12.340 million (including Rs. 10.5 million for prior years).

- 5.2** There were no other contingencies and commitments outstanding as at December 31, 2011. (June 30, 2011: Nil).

## **6 SINDH SALES TAX ON PERFORMANCE FEE OF 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.

## **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 provision for taxation as the Management Company, on behalf of the Scheme, intends to distribute at least 90 percent of the Fund's accounting income for the current year as reduced by capital gains (whether realised or unrealised) to its unit holders.

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

## **8 INTERIM DISTRIBUTIONS**

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

Date	Rate Per Unit	Bonus *		Cash Distribution** (Rupees in '000)	Total
		Units	Amount		
July 25, 2011	Re. 0.3581	311,981	15,612	789	16,401
August 25, 2011	Re. 0.4583	368,365	18,453	1,010	19,463
September 25, 2011	Re. 0.4414	317,947	15,943	973	16,916
October 25, 2011	Re. 0.4414	326,679	16,413	972	17,385
November 25, 2011	Re. 0.4414	324,373	16,298	88	16,386
December 25, 2011	Re. 0.4414	324,299	16,288	87	16,375
		<b>1,973,644</b>	<b>99,007</b>	<b>3,919</b>	<b>102,926</b>

\* Bonus units have been distributed to unit holders under plan A

\*\* Cash dividends have been distributed to unit holders under plan B

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

**9 TRANSACTIONS WITH CONNECTED PERSONS**

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 undertakings.

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

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

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

**9.1 Transactions during the period**

	<b>Half year ended December 31,</b>		<b>Quarter ended December 31,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>----- (Rupees in '000) -----</b>			
<b>Arif Habib Investments Limited - Management Company</b>				
Performance fee for the period	13,167	16,020	5,914	8,535
Sales tax on performance fee	2,107	-	947	-
<b>Habib Metropolitan Bank Limited - Trustee</b>				
Profit on bank deposits	2,682	2,274	1,625	1,680
<b>Fatima Fertilizer Company Limited</b>				
Issue of 61,243 bonus units (2010: 2,866 units) and Nil units for the half year and quarter respectively	3,063	-	-	-
Redemption of 2,041,567 units (2010: Nil units) and Nil units for the half year and quarter respectively	102,234	-	-	-
<b>Arif Habib REIT Management Limited</b>				
Redemption of 148,132 units (2010: Nil) and 57,049 units (2010: Nil) for the half year and quarter respectively	7,449	-	2,873	-
Issue of 12,794 bonus units (2010: Nil) and 2,979 units (2010: Nil) for the half year and quarter respectively	641	-	150	-
<b>Arif Habib Real Estate Services (Pvt) Limited</b>				
Issue of 66,686 units (2010: Nil units) and 47,767 units (2010: Nil units) for the half year and quarter respectively	3,350	-	2,400	-
Redemption of 52,456 units (2010: Nil units) and 31,254 units (2010: Nil) for the half year and quarter respectively	2,643	-	1,582	-
Issue of 7,026 bonus units (2010: Nil) and 2,748 units (2010: Nil) for the half year and quarter respectively	352	-	138	-
<b>Key Management Personnel</b>				
Issue of 327,115 units (2010: 142,089 units) and 295,416 units (2010: 120,201 units) for the half year and quarter respectively	16,463	7,150	14,873	6,050
Redemption of 264,681 units (2010: 82,973 units) and 233,124 units (2010: 68,137 units) for the half year and quarter respectively	13,391	4,180	11,804	3,433
Issue of 2,848 bonus units (2010: 2,866 units) and 1,726 units (2010: 1,607 units) for the half year and quarter respectively	143	144	87	81

	<b>Un-audited December 31, 2011 (Rupees in '000)</b>	<b>Audited June 30 2011</b>
<b>9.2 Amounts outstanding as at period / year end</b>		
<b>Arif Habib Investments Limited - Management Company</b>		
Performance fee payable	1,828	3,803
Sales tax payable on performance fee	292	-
Receivable from the Management Company	32	67
<b>Habib Metropolitan Bank Limited - Trustee</b>		
Bank balance at the end of the period / year	137,067	90,990
Profit receivable on bank deposits	270	-
<b>Fatima Fertilizer Company Limited</b>		
Units held: Nil (June 30, 2011: 1,980,324 units)	-	101,326
<b>Arif Habib REIT Management Limited</b>		
Units held 84,828 units (June 30, 2011: 220,166 units)	4,265	11,265
<b>Arif Habib Real Estate Services (Pvt) Limited</b>		
Units held 105,701 units (June 30, 2011: 84,445 units)	5,315	4,321
<b>Amounts due on account of Conversion / Transfer of units</b>		
Payable to Pakistan Income Fund	-	10,000
<b>Key Managemnet Personnel</b>		
Units held 88,331 units (June 30, 2011: 151,567 units)	4,443	7,755

## **10 CORRESPONDING FIGURES**

Corresponding figures have been rearranged and reclassified, wherever necessary, for the purpose of comparison. No significant changes or reclassifications were made in these condensed interim financial information.

## **11 DATE OF AUTHORISATION FOR ISSUE**

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

## **12 GENERAL**

**12.1** Figures have been rounded off to the nearest thousand rupees.

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

**Yasir Qadri**  
Chief Executive Officer

**Nasim Beg**  
Director