



Bachat ka Dusra Naam

Annual Report 2012



PAKISTAN

CASH MANAGEMENT FUND

Aam Kay Aam, Guthliyon Kay Daam

PAKISTAN CASH MANAGEMENT FUND

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Vision

To become synonymous with Savings

Mission

To become a preferred Savings and Investment Manager in the domestic and regional markets, while maximizing stakeholder's value.

Core Values

The Company takes pride in its orientation towards client service. It believes that its key success factors include continuous investment in staff, systems and capacity building, and its insistence on universal best practices at all times.

PAKISTAN CASH MANAGEMENT FUND

FUND'S INFORMATION

Management Company	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha 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)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib Mr. Ali Munir	Chairman Member Member Member
Human Resource Committee	Dr. Salman Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & CFO of the Management Company	Mr. Muhammad Saqib Saleem	
Trustee	Habib Metro Bank Limited 8th Floor, HBZ Building I.I. Chundrigar Road, Karachi.	
Bankers	MCB Bank Limited Habib Metro Bank Limited Bank Alfalah Limited	
Auditors	A.F. Ferguson & Co.-Chartered Accountants State Life Building No. 1-C, I.I. Chundrigar Road, Karachi-74000	
Legal Advisor	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
Transfer Agents	Arif Habib Investments Limited 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

PAKISTAN CASH MANAGEMENT FUND REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2012

The board of Directors of Arif Habib Investment Limited, the Management Company of Pakistan Cash Management Fund (PCF), is pleased to present the Annual Report on the affairs of PCF for the year ending June 30, 2012.

Economy and Money Market Overview

Despite continued macro-economic challenges throughout the period, the year under review (July '11-June '12) could be classified as a mixed bag for the economy and capital markets as some of the key macroeconomic indicators have depicted positive trend during the period under review despite having burgeoning fiscal challenges.

The external account, which was the top performing sector during the previous year, couldn't maintain its positive trend during FY12 owing to widening trade deficit on the back of lower cotton and higher oil prices despite having record-high workers' remittances. During the year, export dipped by 3% while imports grew by 12% causing the overall trade deficit to widen to around US\$ 15.4 billion, 46% higher YoY. Despite record-high level of workers' remittances flow of US\$ 13.2 billion, higher trade and income deficit caused the current account balance to post a deficit of US\$ 4.5 billion as against a surplus of US\$ 214 million last year. Given higher current account deficit coupled with meager financial account flows, country's balance of payment position declined significantly during the year by around US\$ 3.3 billion - taking the FX reserves down to a level of US\$ 15.3 billion, while also causing sizeable depreciation of 10% in the PKR-USD exchange rate during the year.

Inflationary pressures, on the other hand, have remained largely on the lower side during the period with YoY CPI Inflation averaging 11.0% amid change in CPI methodology as well as high base-effect of last year. Moreover, real economy has shown a relatively improved picture during the year with FY12 real GDP growth stood at 3.7%, slightly higher than the revised GDP growth of 3.0% during the last year.

Fiscal indiscipline continued to remain a cause of concern for the economic managers as the country is expected to witness a higher deficit of over 8% of the GDP during FY12 (including one-off circular debt adjustments). Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 895 billion, 4.3% of the GDP. Although growth in tax revenue collection has been strong, lower non-tax revenue on the back of non-realization of CSF proceeds coupled with higher current expenditure has been the chief reason behind ballooning fiscal deficit. Unfortunately, development expenditure is expected to be under-spent for yet another year to meet revised fiscal deficit targets. In addition of having a higher fiscal deficit, the financing mix is also alarming as the country had to resort to domestic sources of funding to a large extent in the absence of sizeable foreign flows during the period under review. Government borrowing from Central Bank has gone up by Rs. 508 billion during FY12, which is staggering 44% of total outstanding stock.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Given benign YoY CPI Inflation coupled with lower GoP borrowing from SBP as well as contained external current account deficit during the earlier part of the year, the SBP cut its policy discount rate cumulatively by 200 bps to 12.0%. However, gradual deterioration in the macro-economic environment lately has compelled the central bank to keep its policy DR unchanged for the next 4 policies during the latter part of the year. Due to an overall relatively lower interest rate environment, 1 year PKRV averaged at around 12.4% during FY12, much lower than the average 13.4% a year ago.

During FY12, key monetary indicators have shown reasonable improvement with money supply (M2) posting a strong growth of 14.4%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY decline of 32% in Net Foreign Assets (NFA) has been very alarming - also reflecting weak BOP position.

Significant credit demand by the government coupled with an attractive risk-return profile has kept government papers, especially of shorter tenure, a very attractive investment vehicle for the investors throughout this year also.

Future outlook

Although medium term macroeconomic picture remains gloomy, benign CPI inflation trend coupled with the release of US\$ 1.18 billion under Coalition Support Fund by the US does provide a short term breather thereby creates a potential room for monetary easing by the State Bank of Pakistan in the upcoming monetary policy announcement. We continue to emphasize that the realization of sizeable foreign inflows holds the key in rejuvenating economic engine, while a potential return to IMF program in the next 6-8 months would adversely affect the liquidity and interest rate scenario.

Fund's Performance

During the year, the net assets of the fund grown significantly by 41% on a YoY basis to around PKR 3.8 billion as on June 30, 2012. The investment objective of the fund is to deliver regular income and provide high level of liquidity primarily from short duration government securities investments. The fund is benchmarked against 3-month PKRV. The fund, through active management and carefully selected trading positions was able to yield an annualized return of 11.0% during the period under review, which was lower than the Fund's benchmark return of 13.0% during the same period.

Considering the risk-return profile of government papers, the fund kept its exposure largely towards government papers while maintaining marginal allocations towards TDRs and bank deposits. Although the fund maintained decent exposure towards government papers throughout the year, it altered its portfolio's duration actively to take advantage of the fast changing interest rate scenario.

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

Performance Information (%)	PCF	Benchmark
Last twelve Months Return (Annualized)	11.0%	13.0%
Since Inception(CAGR)	11.4%	12.5%

PAKISTAN CASH MANAGEMENT FUND

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY

FOR THE YEAR ENDED JUNE 30, 2012

During the year your fund earned net income of Rs 276.222 million. The Board in the meeting held on June 25, 2012 has declared final distribution amounting to Rs.35.140 million (i.e. Rs. 0.4343 per unit). In addition to final distribution, the Chief Executive has approved following interim distribution during the year ended June 30, 2012.

Date of distribution	Distribution PKR / Unit
July 25, 2011	Re. 0.3581
August 25, 2011	Re. 0.4583
September 25, 2011	Re. 0.4414
October 25, 2011	Re. 0.4414
November 25, 2011	Re. 0.4414
December 25, 2011	Re. 0.4414
January 25, 2012	Re. 0.4414
February 25, 2012	Re. 0.4414
March 25, 2012	Re. 0.4414
April 25, 2012	Re. 0.4328
May 25, 2012	Re. 0.4328

During the period, units worth Rs.5,227.86 million (including Rs.280,501 million worth of bonus units) were issued and units with a value of Rs.4,028.068 million were redeemed. As on 30 June 2012 the NAV of the Fund was Rs. 50.0793 per unit.

Update on Workers' Welfare Fund

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

Subsequently, clarifications were issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of their income. These clarifications were forwarded by the Federal Board of Revenue (FBR) (being the collecting agency of WWF on behalf of the Ministry) to its members for necessary action. Based on these clarifications, the FBR also withdrew notice of demand which it had earlier issued to one of the mutual funds for collection of WWF. Other mutual funds to whom notices were issued by the FBR also took up the matter with FBR for their withdrawal.

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

Subsequent to the year ended June 30, 2011, the Honorable Lahore High Court (LHC) in a Constitutional Petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act, 2008, has declared the said amendments as unlawful and unconstitutional. The Management Company is hopeful that the decision of the LHC, will lend further support to the Constitutional Petition which is pending in the SHC.

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). However, considering the unit holding structure of the Funds concentrated on few large ticket investors coupled with the recent changes in tax laws, the Management Company as a matter of abundant caution has decided to retain the provision for WWF in these financial statements in order to protect the interests of small investor/unit holders.

Corporate Governance

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

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

- Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- Proper books of accounts of the Fund have been maintained during the year.
- Appropriate accounting policies have been consistently applied in preparation of financial statements. Accounting estimates are based on reasonable prudent judgment.
- Relevant International Accounting Standards, as applicable in Pakistan, provisions of the Non Banking Finance Companies (Establishment & Regulations) Rules, 2003, Non Banking Finance Companies and Notified Entities Regulations, 2008, requirements of the respective Trust Deeds and directives issued by the Securities & Exchange Commission of Pakistan have been followed in the preparation of financial statements.

**PAKISTAN CASH MANAGEMENT FUND
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2012**

- e. The system of internal control is sound in design and has been effectively implemented and monitored.
- f. There are no significant doubts upon the Fund's ability to continue as going concern.
- g. There has been no material departure from the best practices of Corporate Governance, as detailed in the listing regulations.
- h. Key financial data as required by the Code of Corporate Governance has been summarized in the financial statements.
- i. Outstanding statutory payments on account of taxes, duties, levies and charges, if any have been fully disclosed in the financial statements.
- j. The statement as to the value of investments of provident fund is not applicable on the Fund but applies to the Management Company, hence appropriate disclosure has been made in the Directors' Report of the Management Company.
- k. The detailed pattern of unit holding, as required by NBFC Regulations and the Code of Corporate Governance are enclosed.
- l. The details of attendance of Board of Directors meeting is disclosed in note 17 to the attached financial statements. During the year four meetings of Audit Committee were held on 19th September 2011, 26th October 2012, 26 January 2012 and 24th April 2012, the details of attendance is as follows:

S. No.	Name	Designation	Attendance required	Attended	Leave granted
1.	Mr. Haroun Rashid	Chairman	4	3	1
2.	Mr. Nasim Beg	Member - Executive Vice Chairman	4	4	-
3.	Mr. Samad A. Habib	Member	4	2	2
4.	Mr. Ali Munir	Member	4	2	2

- m. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
- n. The trades in Units of the Fund carried out by Directors, CE, CFO/Company Secretary of the Management Company and their spouses and minor children are as under:

S. No.	Name	Designation	Investment	Redemption	Bonus
			(Number of Units)		
1.	Mr. Nasim Beg	Executive Vice Chairman	298,379	245,111	653
2.	Mr. Yasir Qadri	Chief Executive Officer	-	-	-
3.	Mr. Muhammad Saqib Saleem	Company Secretary & Chief Financial Officer	-	-	-

External Auditors

The fund's external auditors, A.F. Ferguson & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Since AFF have consented to act as the External Auditors of the Management Company, they are not eligible for reappointment as statutory auditors of the Fund. The audit committee of the Board has recommended appointment of M. Yousuf Adil Saleem & Co., Chartered Accountants, (who have given consent to such appointment) as auditors for the year ending June 30, 2013.

Acknowledgement

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

For and on behalf of the board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

PAKISTAN CASH MANAGEMENT FUND REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2012

Fund Type and Category

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

Fund Benchmark

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

Investment Objective

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

Investment Strategy

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

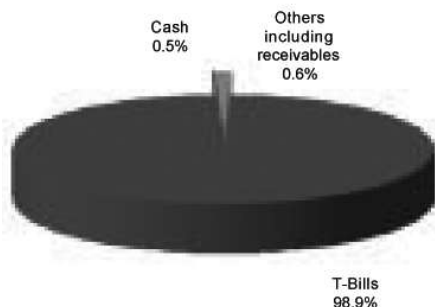
Manager's Review

During the year under review, the fund was able to generate an annualized return of 11.0% as against its benchmark return of 13.0%, an under-performance of 2%.

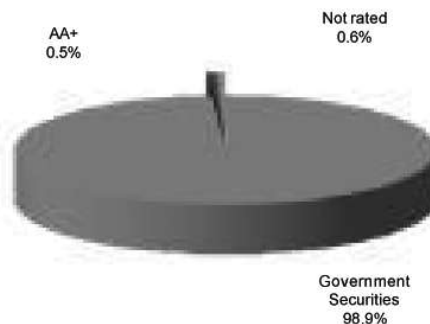
Considering its low-risk profile, the fund continued to deploy its assets carefully without aggressively chasing them. Given a very attractive risk-return profile of the short term government papers, the fund continued to keep most of fund's assets in short-end Treasury Bills.

The net assets of fund have grown by 41% during the year to reach PKR 3.8 billion. Given the volatility in the overall interest rate environment, the fund continued to alter its portfolio WAM in order to take advantage of shifts in the yield curve. The fund's WAM was kept in a lower range especially towards the latter half of the year and closed the year at a portfolio WAM of 27 days.

Asset Allocation as on June 30, 2012 (% of total assets)



Asset Quality as on June 30, 2012 (% of total assets)



Syed Sheeraz Ali
Fund Manager

Karachi: August 15, 2012

**PAKISTAN CASH MANAGEMENT FUND
TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**



Habib Metropolitan Bank Ltd.

(Subsidiary of Habib Bank AG Zurich)

TRUSTEE DIVISION: HBZ PLAZA 8TH FLOOR, I.I. CHUNDRIGAR ROAD, KARACHI, PAKISTAN

TRUSTEE REPORT TO THE UNIT HOLDERS

PAKISTAN CASH MANAGEMENT FUND

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

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

In our opinion, the Management Company has in all material respects managed the Fund during the year ended 30 June 2012 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.

Azam Zaidi

Senior Executive Vice President
Habib Metropolitan Bank Limited

Karachi: September 18, 2012

PAKISTAN CASH MANAGEMENT FUND

STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE

FOR THE YEAR ENDED JUNE 30, 2012

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

Pakistan Cash Management Fund is an open end mutual fund and is listed at Islamabad Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The Management Company, Arif Habib Investments Limited, on behalf of the Fund, has applied the principles contained in the Code in the following manner:

1. The Management Company encourages representation of independent non-executive directors on its Board of Directors. At present the Board includes

Category	Names
Independent Directors	1. Dr. Salman Shah 2. Mr. Haroun Rashid 3. Mr. Mirza Mehmood
Executive Directors	1. Mr. Nasim Beg - Executive Vice Chairman 2. Mr. Yasir Qadri - Chief Executive Officer
Non - Executive Directors	1. Mian Mohammad Mansha 2. Mr. Ahmed Jehangir 3. Mr. Samad Habib

The independent directors meets the criteria of independence under clause i (b) of the Code.

2. The directors have confirmed that none of them is serving as a director in more than ten listed companies, including the Management Company.
3. All the resident directors of the Management Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. During the period no casual vacancy occurred on the board of the Management Company
5. The Management Company had prepared a 'Code of Conduct' and ensured that appropriate steps had been taken to disseminate it throughout the company along with its supporting policies and procedures.
6. The Board has developed vision / mission statement, overall corporate strategy and significant policies of the Management Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.
7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer, other executive and non-executive directors, have been taken by the Board. No new appointment of Chief Executive Officer, other executive and non-executive directors were made during the year.
8. The meetings of the Board were presided over by the Chairman and, in his absence, by a director elected by the Board for this purpose and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.
9. As required by the Code, all the directors of the Management Company will attend the training Program for directors by the year 2016. Currently, two of the directors are exempt from obtaining mandatory training having the requisite qualification and experience. Accordingly, the Management Company is compliant with this requirement for the current year. Further Directors' have also being briefed about the recent changes made in laws and regulations to enable them to effectively manage the affairs of the management company.
10. No new appointments of Chief Financial Officer and Company Secretary were made during the year. The Board has approved the remuneration and terms and conditions of employment, as determined by the Chief Executive Officer. Subsequent to the year end, the Management Company has appointed Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.
11. The Directors' Report of the fund for the year ended June 30, 2012 has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
12. The financial statements of the Fund were duly endorsed by Chief Executive Officer and Chief Financial Officer of the Management Company before approval of the Board.
13. The Directors, Chief Executive Officer and executives of the Management Company do not hold any interest in the units of the Fund other than that disclosed in the pattern of unit holding.

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF THE COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

14. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
15. The Board has formed an Audit Committee for the Management Company. It comprises of four members, three of whom are the directors of the Management Company. Two are non-executive directors and the Chairman of the Committee is an independent director.
16. The meetings of the audit committee were held at least once every quarter prior to approval of the interim and final results of the Fund and as required by the Code. The terms of reference of the committee have been approved by the Board and advised to the committee for compliance.
17. The Board has formed an HR and Remuneration Committee. It comprises four members, of whom two are non-executive directors and the chairman of the committee is an independent director.
18. During the year, the Management Company has outsourced the internal audit function to Ernst & Young Ford Rhodes Sidat Hyder & Co. Chartered Accountants who are considered to be suitably qualified and experienced for the purpose and is conversant with the policies and procedures of the Management Company.
19. The statutory auditors of the Fund have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Company and units of the fund. The firm and all its partners are also in compliance with International Federation of Accountants guidelines on code of ethics as adopted by ICAP.
20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed International Federation of Accountants guidelines in this regard.
21. The 'closed period', prior to the announcement of interim/final results, and business decisions, which may materially affect the market price of company's securities and Fund's unit, was determined and intimated to directors, employees and stock exchange(s).
22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).
23. We confirm that all other material principles enshrined in the Code have been complied with towards which reasonable progress is being made by the company to seek compliance by the end of next accounting year.

On behalf of the Board

Yasir Qadri
Chief Executive Officer

Karachi: August 15, 2012

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**



A. F. FERGUSON & CO.

**REVIEW REPORT TO THE UNIT HOLDERS ON THE STATEMENT OF COMPLIANCE
WITH THE BEST PRACTICES OF THE CODE OF CORPORATE GOVERNANCE**

We have reviewed the Statement of Compliance with the best practices contained in the Code of Corporate Governance prepared by the Board of Directors of **Arif Habib Investments Limited**, the Management Company of **Pakistan Cash Management Fund**, to comply with the Listing Regulation No. 35 (Chapter XI) of the Islamabad Stock Exchange where the Fund is listed.

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

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

Regulation 35 (x) of the Listing Regulations requires the Management Company to place before the Board of Directors for their consideration and approval, related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. Further, all such transactions are also required to be separately placed before the audit committee. We are only required and have ensured compliance of the above requirements to the extent of approval of related party transactions by the Board of Directors and placement of such transactions before the Audit Committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length prices or not.

Based on our review, nothing has come to our attention, which causes us to believe that the Statement of Compliance does not appropriately reflect the Management Company's compliance for and on behalf of the Fund, in all material respects, with the best practices contained in the Code of Corporate Governance as applicable to the Fund for the year ended June 30, 2012.

We draw attention to paragraph 10 of the annexed statement which highlights that subsequent to the year end the Management Company has appointed the Head of Internal Audit who is also planned to be designated as the secretary to the Audit Committee in the upcoming Audit Committee meeting.


Chartered Accountants

Karachi

Dated: September 17, 2012

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**PAKISTAN CASH MANAGEMENT FUND
INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2012**



A. F. FERGUSON & CO.

**INDEPENDENT AUDITORS' REPORT TO THE UNIT HOLDERS
REPORT ON THE FINANCIAL STATEMENTS**

We have audited the accompanying financial statements of **Pakistan Cash Management Fund (here in after referred to as "the Fund")**, which comprise the statement of assets and liabilities as at June 30, 2012, and the related income statement, distribution statement, statement of movement in unit holders' fund and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management Company's responsibility for the financial statements

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

Auditor's responsibility

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Fund as at June 30, 2012, and of its financial performance, cash flows and transactions for the year then ended in accordance with approved accounting standards as applicable in Pakistan.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Chartered Accountants
Engagement Partner: **Rashid A. Jafer**
Dated: September 17, 2012
Karachi

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FINANCIAL STATEMENTS

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2012**

	Note	2012	2011
(Rupees in '000)			
ASSETS			
Balances with banks	4	42,836	91,458
Receivable against sale of units		-	562
Investments	5	3,810,872	2,632,650
Profit receivable		1,213	624
Other receivables		59	67
Preliminary expenses and floatation costs	6	145	344
Total assets		3,855,125	2,725,705
LIABILITIES			
Payable to the Management Company	7	4,634	3,803
Accrued expenses and other liabilities	8	16,228	11,217
Total liabilities		20,862	15,020
NET ASSETS		3,834,263	2,710,685
UNIT HOLDER'S FUND (AS PER STATEMENT ATTACHED)		3,834,263	2,710,685
Contingencies and Commitments	10		
(Number of Units)			
Number of units in issue		76,563,838	52,960,879
(Rupees)			
NET ASSET VALUE PER UNIT		50.0793	51.1828

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**PAKISTAN CASH MANAGEMENT FUND
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 (Rupees in '000)	2011
INCOME			
Capital gain on sale of investments - net		1,247	144
Income from reverse repurchase transactions		4,579	1,204
Income from investment in government securities		296,552	344,551
Profit on bank deposits		6,768	4,211
Other income		1	5
Unrealised diminution on re-measurement of investments 'at fair value through profit or loss' - net	5.2	(537)	(758)
Total income		308,610	349,357
EXPENSES			
Management Company Performance Fee	7.1	30,635	34,763
Sindh Sales Tax on Performance Fee of Management Company	7.2	4,902	-
Securities transaction cost		206	313
Legal and Professional charges		83	80
Amortisation of preliminary expenses and floatation costs	6	199	200
Total expenses		36,025	35,356
Net income from operating activities		272,585	314,001
Element of income/(loss) and capital gains/(losses) included in prices of units issued less those in units redeemed - net		19,586	(966)
Provision for Workers' Welfare Fund	9	(15,949)	-
Net income for the year before taxation		276,222	313,035
Taxation	11	-	-
Net income for the year after taxation		276,222	313,035
Other comprehensive income / (loss) for the year		-	-
Total comprehensive income for the year		276,222	313,035
Earnings per unit	3.11		

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**PAKISTAN CASH MANAGEMENT FUND
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 (Rupees in '000)	2011
Undistributed income brought forward			
- Realised gain		63,401	28,617
- Unrealised loss		(758)	(409)
		62,643	28,208
Final Distribution for the year ended June 30, 2011: Re 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)
Final Distribution for the year ended June 30, 2012: Re 0.4343 per unit (Date of distribution : June 25, 2012)			
- Bonus units		(22,177)	-
- Cash distribution		(12,963)	-
Element of income and capital gains included in prices of units issued less those in units redeemed		64	-
Net income for the year		276,222	313,035
Interim Distribution for the year ended June 30, 2012			
- Bonus units	12	(198,425)	(240,914)
- Cash distribution	12	(36,789)	(9,621)
Undistributed income carried forward		6,075	62,643
Undistributed income carried forward			
- Realised gain		6,612	63,401
- Unrealised loss		(537)	(758)
		6,075	62,643

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**PAKISTAN CASH MANAGEMENT FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2012**

	Note	2012 (Rupees in '000)	2011
Net assets at the beginning of the year		2,710,685	2,061,964
Issue of 99,673,643 units (2011:101,818,408 units)		4,947,363	5,140,548
Redemption of 81,665,922 units (2011: 94,856,801 units)		(4,028,068)	(4,794,825)
		919,295	345,723
Element of (income)/loss and capital (gains)/losses included in prices of units issued less those in units redeemed			
- amount representing (gain) / loss and Capital (gains) / losses - transferred to the Income Statement		(19,586)	966
- amount representing unrealised capital gains and capital gains that form part of the unit holders' fund - transferred to Distribution Statement		(64)	-
		(19,650)	966
Final distribution of 1,297,874 units (2010 : 533,627 units) for the year ended June 30, 2011: at Re 1.1801 per unit (Date of distribution: July 4, 2011) (2010: Re 0.6900 per unit)			
- Bonus units		59,899	26,683
Final distribution of 443,543 units (2011 : Nil) for the year ended June 30, 2012: at Re 0.4343 per unit (Date of distribution: June 25, 2012) (2010: Re 0.6900 per unit)			
- Bonus units		22,177	-
Interim distribution of 3,853,821 bonus units for the year ended June 30, 2012 (2011: 4,790,499 bonus units)	12	198,425	240,914
Final distribution for the year ended June 30, 2011: at Re 1.1801 per unit (Date of distribution: July 4, 2011) (2010: Re 0.6900 per unit)			
- Bonus units		(59,899)	(26,683)
- Cash distribution		(2,601)	(1,382)
Capital gain on sale of investments - net		1,247	144
Unrealised diminution on re-measurement of investments classified as 'at fair value through profit or loss' - net		(537)	(758)
Element of income and capital gains included in prices of unit sold less those in units redeemed - amount representing income that form part of the unit holders' fund		64	-
Other net income for the year		275,512	313,649
Interim Distributions during the year ended June 30, 2012			
- Bonus units		(198,425)	(240,914)
- Cash distribution		(36,789)	(9,621)
Final Distribution for the year ended June 30, 2012			
- Bonus units		(22,177)	-
- Cash distribution		(12,963)	-
		(56,568)	34,435
Net assets as at the end of the year		3,834,263	2,710,685

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer

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



Director

**PAKISTAN CASH MANAGEMENT FUND
CASH FLOW STATEMENT
FOR THE YEAR ENDED JUNE 30, 2012**

	2012	2011
	(Rupees in '000)	
CASH FLOW FROM OPERATING ACTIVITIES		
Net income for the year	276,222	313,035
Adjustments for non cash items:		
Unrealised diminution in value of investments classified as 'at fair value through profit or loss' - net	537	758
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed - net	(19,586)	966
Amortisation of preliminary expenses and floatation costs	199	200
Management Company Performance Fee	30,635	34,763
Sales Tax on Management Fee	4,902	-
	292,909	349,722
(Increase) / decrease in assets		
Investments	1,784,389	1,988,763
Profit receivable	(589)	(622)
Other receivables	8	(67)
Receivable against sale of units	562	538
	1,784,370	1,988,612
Increase / (decrease) in liabilities		
Preliminary expenses and floatation costs payable to the Management Company	(600)	(200)
Accrued expenses and other liabilities	5,011	10,122
	4,411	9922
Performance fee paid to the Management Company	(29,843)	(33,740)
Sales tax paid	(4,263)	-
	(2,047,584)	2,314,516
Net cash used in operating activities		
CASH FLOW FROM FINANCING ACTIVITIES		
Cash distributions made during the year	(52,353)	(11,003)
Net cash received on issuance of units	919,295	345,723
Net cash generated from financing activities	866,942	334,720
Net (decrease) / increase in cash and cash equivalents during the year	2,914,526	2,649,236
Cash and cash equivalents at the beginning of the year	91,458	74,872
Cash and cash equivalents at the end of the year	4.2 3,005,984	2,724,108

The annexed notes 1 to 22 form an integral part of these financial statements.



Chief Executive Officer

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



Director

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

1 LEGAL STATUS AND NATURE OF BUSINESS

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

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

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

The Fund is an open-ended mutual fund and is listed on the Islamabad Stock Exchange. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund. The Fund has been categorised as a money market scheme by the Management Company.

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

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

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

The Board of Directors have approved that the Fund should be categorised as "Money Market Scheme" as per the categories defined by the Securities and Exchange Commission of Pakistan.

2 BASIS OF PREPARATION

2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by the SECP prevail.

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

The following standards, amendments and interpretations to approved accounting standards have been published and are mandatory for the Fund's accounting period beginning on or after July 1, 2011:

- a) IFRS 7, 'Financial Instruments: Disclosures'. This amendment is effective from January 1, 2011. The amendment emphasises the interaction between quantitative and qualitative disclosures about the nature and extent of risks associated with financial instruments. The amendment does not have any significant impact on the Fund's financial statements, other than certain additional disclosures.
- b) IFRS 7, 'Financial instruments: Disclosures'. This amendment is effective from July 1, 2011. The amendment aims to promote transparency in the reporting of transfer transactions and improve users' understanding of the risk exposures relating to transfers of financial assets and the effect of those risks on an entity's financial position, particularly those involving securitisation of financial assets. The amendment does not have any impact on the Fund's financial statements during the current year.
- c) IAS 1, 'Presentation of financial statements' (effective January 1, 2011). The amendment clarifies that an entity will present an analysis of other comprehensive income for each component of equity, either in the statement of changes in equity or in the notes to the financial statements. The amendment does not have any impact on the Fund's financial statements.

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

- d) IAS 24 (revised), 'Related party disclosures', issued in November 2009. It superseded IAS 24, 'Related Party Disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after January 1, 2011. 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 revised standard does not have any impact on the Fund's financial statements.

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

2.3 Standards, interpretations and amendments to published approved accounting standards that are not yet effective:

The following standards and amendments to standards have been published and are mandatory for accounting periods beginning on or after July 1, 2012:

- a) IAS 1, 'Financial statement presentation' (effective July 1, 2012). The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' (OCI) on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments do not address which items are presented in OCI. The amendment will not have any significant effect on the Fund's financial statements.
- b) IAS 32, 'Financial instruments: Presentation', (effective January 1, 2014). This amendment clarifies some of the requirements for offsetting financial assets and financial liabilities on the balance sheet. The management of the Fund is in the process of assessing the impact of this amendment on the Fund's financial statements.

There are other amendments to the standards and new 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 these financial statements.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with the approved accounting standards requires the management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, income and expenses. It also requires the management to exercise judgment in application of its accounting policies. The estimates, judgments and associated assumptions are based on the management's experience and various other factors that are believed to be reasonable under the circumstances. These estimates and assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of revision and future periods if the revision affects both current and future periods. The areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.2 and note 5) and amortisation of the preliminary expenses and floating cost (note 6).

2.5 Accounting convention

These financial statements have been prepared under the historical cost convention except that certain financial assets have been carried at fair value in accordance with the requirements of International Accounting Standard (IAS) 39 ; 'Financial Instruments Recognition and Measurement.'

2.6 Functional and presentation currency

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

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of assets and liabilities at cost. Cash and cash equivalents comprise of bank balances and short term investments having original maturities of less than three months.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss
- loans and receivables
- Available for sale

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

The classification depends on the purpose for which the financial assets were acquired. Management determines the appropriate classification of its financial assets at initial recognition and re-evaluates this classification on a regular basis.

a) **Financial assets at fair value through profit or loss**

Financial assets that are acquired principally for the purpose of generating profit from short-term fluctuations in market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

b) **Loans and receivables**

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Fund's loans and receivables comprise of cash and bank balances, receivable against sale of investments, deposits and dividend and profit receivable.

c) **Available for sale**

These are non-derivative financial assets that are either designated in this category or not classified in any of the other categories.

3.2.2 **Regular way contracts**

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

3.2.3 **Initial recognition and measurement**

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

3.2.4 **Subsequent measurement**

a) **Financial assets 'at fair value through profit or loss' and 'available for sale'**

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

- **Basis of valuation of government securities**

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

Net gains and losses arising from changes in the fair value of financial assets 'at fair value through profit or loss' are taken to the 'income statement'.

Net gains and losses arising from changes in fair value of 'available for sale' financial assets are taken to other comprehensive income until these are derecognised or impaired. At this time, the cumulative gain or loss previously recognised in other comprehensive income is transferred to income before taxation.

b) **Loans and receivable**

Subsequent to initial recognition financial assets classified as 'loans and receivables' are carried at amortised cost using the effective interest method.

Gain or loss is also recognised in the 'income statement' when financial assets carried at amortised cost are derecognised or impaired.

3.2.5 **Impairment**

The carrying amounts of the Fund's assets are revalued at each reporting date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. If any impairment evidence exists for available for sale financial assets, the cumulative loss-measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the income before taxation.

Provision for non-performing exposures is made in accordance with the criteria specified in circular No. 1 dated January 6, 2009 and circular No. 13 dated May 4, 2009 issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

PAKISTAN CASH MANAGEMENT FUND

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2012

3.2.6 Derecognition

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

3.2.7 Offsetting of financial assets and liabilities

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

3.2.8 Reclassification

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

3.3 Financial liabilities

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

3.4 Derivatives

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

3.5 Securities under repurchase / resale agreements

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

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

3.6 Proposed distributions

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

3.7 Issue and redemption of units

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

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

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

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

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

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

3.9 Provisions

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

3.10 Net asset value per unit

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

3.11 Earnings per unit

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

3.12 Taxation

The income of the Fund is exempt from income tax 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 year, as reduced by capital gains, whether realised or unrealised, is distributed among the unit holders.

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

The Fund provides for deferred taxation using the balance sheet liability method on all major temporary differences between the amounts used for financial reporting purposes and amounts used for taxation purposes. In addition, the Fund also records deferred tax asset on unutilised tax losses to the extent that it is that the related tax benefit will be realised. However, the Fund has not recognised any amount in respect of deferred tax in these financial statements as the Fund intends to continue availing the tax exemption in future years by distributing at least ninety percent of its accounting income for the year as reduced by capital gains, whether realised or unrealised, to its unit holders every year.

3.13 Revenue recognition

- Realised capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.
- Unrealised capital gains / losses arising on marking to market of investments classified as 'financial assets at fair value through profit or loss' are included in the Income Statement in the period in which they arise.
- Profit on bank deposits is recognised on an accrual basis.
- Profit on investment is recognised on an accrual basis.
- Income on issue and purchase of units is recognised when the units are issued and redeemed at the transaction date.
- Discount on purchase of Market Treasury Bills is amortised to the income statement using the straight line method.

3.14 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

4	BALANCES WITH BANKS	Note	2012	2011
			(Rupees in '000)	
	In current accounts		2	5
	In deposit accounts	4.1	42,834	91,453
			42,836	91,458
4.1	These carry a rate of return ranging from 6% to 11% (2011:10% to11%) per annum.			
4.2	Cash and cash equivalents	Note	2012	2011
			(Rupees in '000)	
	Balances with banks		42,836	91,458
	Treasury Bills having maturity of 3 months or less	5.1	2,963,148	2,632,650
			3,005,984	2,724,108

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5	INVESTMENTS	Note	2012	2011
			(Rupees in '000)	
	At fair value through profit or loss - held for trading			
	Government Securities	5.1	<u>3,810,872</u>	<u>2,632,650</u>

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

Issue Date	Tenor	Face Value			Balance as at June 30, 2012			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2011	Purchases during the year	Sales / matured during the year	Balance as at June 30, 2012	Cost	Market value		
(Rupees in '000')									
Market Treasury Bills									
December 1, 2011	3 Months	-	175,000	175,000	-	-	-	-	-
November 3, 2011	3 Months	-	140,000	140,000	-	-	-	-	-
May 5, 2011	3 Months	705,000	85,000	790,000	-	-	-	-	-
July 14, 2011	3 Months	-	255,000	255,000	-	-	-	-	-
June 16, 2011	3 Months	1,060,000	15,000	1,075,000	-	-	-	-	-
November 17, 2011	3 Months	-	910,000	910,000	-	-	-	-	-
May 19, 2011	3 Months	465,000	67,600	532,600	-	-	-	-	-
April 21, 2011	3 Months	110,000	-	110,000	-	-	-	-	-
June 2, 2011	3 Months	340,000	-	340,000	-	-	-	-	-
May 3, 2012	3 Months	-	1,375,000	500,000	875,000	868,078	867,908	(170)	23.00%
May 4, 2012	3 Months	-	2,125,000	2,125,000	-	-	-	-	-
March 8, 2012	3 Months	-	175,000	175,000	-	-	-	-	-
February 9, 2012	3 Months	-	385,000	385,000	-	-	-	-	-
January 12, 2012	3 Months	-	375,000	375,000	-	-	-	-	-
May 17, 2012	3 Months	-	1,068,000	280,000	788,000	778,257	778,084	(173)	20.00%
April 19, 2012	3 Months	-	2,420,000	1,147,000	1,273,000	1,268,570	1,268,445	(125)	33.00%
March 22, 2012	3 Months	-	600,000	600,000	-	-	-	-	-
February 23, 2012	3 Months	-	1,037,500	1,037,500	-	-	-	-	-
January 26, 2012	3 Months	-	337,500	337,500	-	-	-	-	-
June 28, 2012	3 Months	-	50,000	-	50,000	48,714	48,711	(3)	1.00%
September 8, 2011	6 Months	-	125,000	125,000	-	-	-	-	-
June 2, 2011	6 Months	-	515,000	515,000	-	-	-	-	-
November 3, 2011	6 Months	-	10,000	10,000	-	-	-	-	-
May 5, 2011	6 Months	-	205,000	205,000	-	-	-	-	-
October 6, 2011	6 Months	-	670,000	670,000	-	-	-	-	-
April 7, 2011	6 Months	-	856,000	856,000	-	-	-	-	-
September 8, 2011	6 Months	-	125,000	125,000	-	-	-	-	-
March 10, 2011	6 Months	-	700,000	700,000	-	-	-	-	-
June 16, 2011	6 Months	-	941,500	941,500	-	-	-	-	-
November 17, 2011	6 Months	-	184,000	184,000	-	-	-	-	-
May 19, 2011	6 Months	-	105,000	105,000	-	-	-	-	-
April 21, 2011	6 Months	-	275,000	275,000	-	-	-	-	-
September 22, 2011	6 Months	-	50,000	50,000	-	-	-	-	-
August 25, 2011	6 Months	-	1,165,000	1,165,000	-	-	-	-	-
January 27, 2011	6 Months	-	20,000	20,000	-	-	-	-	-
August 28, 2011	6 Months	-	479,870	479,870	-	-	-	-	-
June 30, 2011	6 Months	-	650,000	650,000	-	-	-	-	-
March 24, 2011	6 Months	-	175,000	175,000	-	-	-	-	-
April 7, 2011	12months	-	100,000	100,000	-	-	-	-	-
August 11, 2011	12months	-	820,000	-	820,000	809,747	809,681	(66)	22.00%
May 19, 2011	12months	-	70,800	70,800	-	-	-	-	-
August 25, 2011	12months	-	38,700	-	38,700	38,043	38,043	-	1.00%
Total as at June 30, 2012					<u>3,844,700</u>	<u>3,811,409</u>	<u>3,810,872</u>	<u>(537)</u>	
Total as at June 30, 2011						<u>2,633,408</u>	<u>2,632,650</u>	<u>(758)</u>	

5.2	Net unrealised diminution on re-measurement of investments at 'fair value through profit or loss' - net		2012	2011
			(Rupees in '000)	
	Market value of investments		3,810,872	2,632,650
	Carrying value of investments		3,811,409	(2,633,408)
			<u>(537)</u>	<u>(758)</u>

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6	PRELIMINARY EXPENSES AND FLOATATION COSTS	Note	2012	2011
			(Rupees in '000)	
	Opening balance		344	544
	Less: Amortisation during the year		(199)	(200)
	Balance as at June 30,2012		<u>145</u>	<u>344</u>
7	PAYABLE TO THE MANAGEMENT COMPANY			
	Performance fee	7.1	3,995	3,203
	Sales Tax on Management Fee	7.2	639	-
	Preliminary expenses and floatation costs		-	600
			<u>4,634</u>	<u>3,803</u>

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

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

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

8	ACCRUED EXPENSES AND OTHER LIABILITIES	Note	2012	2011
			(Rupees in '000)	
	Legal and professional charges		132	197
	Brokerage payable		103	8
	Zakat Payable		40	6
	Capital Gain Tax payable		-	1,006
	Payable to Pakistan Income Fund		-	10,000
	Provision For Workers' Welfare Fund	9	15,949	-
	Withholding Tax Payable		4	-
			<u>16,228</u>	<u>11,217</u>

9 CONTRIBUTION TO WORKERS WELFARE FUND

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs.0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh, 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 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 SHC. Considering the unit holding structure of the Fund being concentrated in a few large ticket investors coupled with the recent changes in tax laws, the Management company, as a matter of abundant caution, has decided to charge the entire provision for WWF amounting to Rs 15.949 million (including Rs 10.106 million for the years 2007-2011) in these financial statements in order to protect the interests of small investors/unit holders.

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10 CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2012.

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 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 has distributed more than ninety percent of the Fund's accounting income for the current year to its unit holders.

12 INTERIM DISTRIBUTIONS

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

Date	Rate Per Unit	Bonus*		Cash Distribution**	Total
		Units	Amount		
-----Rupees in '000-----					
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
January 25, 2012	Re. 0.4414	254,282	17,798	88	17,886
February 25, 2012	Re. 0.4414	355,013	17,831	88	17,919
March 25, 2012	Re. 0.4414	372,936	18,720	2,273	20,993
April 25, 2012	Re. 0.4328	438,209	21,994	15,360	37,354
May 25, 2012	Re. 0.4328	459,738	23,075	15,061	38,136
		3,853,822	198,425	36,789	235,214

* Bonus units have been distributed to unit holders under plan A
** Cash dividend has 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 22nd September 2008 have passed a resolution providing standing authorisation to the Chief Executive Officer to approve and declare interim dividends out of profit earned by the Fund upto the 25th of each month. The SECP vide letter no. NBFC - II.DD / AHIL / Misc-734 / 2009 has approved the above arrangement.

13 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons of the Fund include the Management Company (AMC), other collective investment schemes being managed by the Management company, the Trustee, Directors, Key management personnel and other associated undertakings.

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

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

13.1 Details of transactions with connected persons are as follows:

	Year ended June 30, 2012	Year ended June 30, 2011
(Rupees in '000)		
Management Company		
Performance fee for the year uncluding Sindh sales tax	35,537	34,763
Issue of nil units (2011: 1,446,754 units)	-	73,000
Redemption of nil units (2011: 1,504,959 units)	-	(76,671)
Issue of nil bonus units (2011: 58,205 bonus units)	-	2,937
Associated Companies		
Arif Habib Bank Limited		
Profit on bank deposits	-	-
Habib Metropolitan Bank Limited - Trustee		
Profit on bank deposits	6,742	4,123
Directors and executives of the management company		
Issue of 489,245 units (2011: 477,398 units)	24,591	24,128
Issue of 6,978 bonus units (2011: 8,432 bonus units)	350	425
Redemption of 334,272 units (2011: 368,392 units)	16,983	18,657

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	Year ended June 30, 2012	Year ended June 30, 2011
	(Rupees in '000)	
Arif Habib Reit Management Limited		
Issue of 14,731 bonus units (2011: Nil units)	738	-
Redemption of 234,897 units (2011: 381,283 units)	11,815	19,214
Issue of Nil units (2011: 51,641 units)	-	2,595
Arif Habib Real Estate Services (Pvt.) Limited		
Issue of 66,686 units (2011: 306,539 units)	3,350	15,500
Issue of 9,897 bonus units (2011: Nil bonus units)	496	-
Redemption of 161,028 units (2011: 222,094 units)	8,103	11,231
Fatima Fertilizer Company Limited		
Issue of nil units (2011: Nil units)	-	-
Redemption of 2,041,567 Units (2011: 3,912,486 Units)	102,234	200
Issue of 61,243 bonus units (2011: Nil bonus units)	3,063	300
Arif Habib investment Limited		
Issue of 257,532 units (2011: Nil units)	13,000	-
Issue of 4,447 bonus units (2011: Nil bonus units)	224	-
	June 30, 2012	June 30, 2011
13.2	(Rupees in '000)	
Amounts outstanding as at the year end		
Management Company		
Payable to the Management Company	4,634	3,803
Receivable From Management Company	-	67
Associated Companies		
Habib Metropolitan Bank Limited - Trustee		
Bank balance	12,505	90,990
Profit receivable on bank deposits	192	-
Directors / officers and employees of the management company		
Units held 185,000 units (2011: 23,049 units)	9,265	7,755
Arif Habib investment Ltd		
262,009 units held	13,121	-
Fatima Fertilizer Company Limited		
Nil units held (2011: 1,980,234 units)	-	101,326
Arif Habib Reit Management Limited		
Nil units held (2011: 220,166 Units)	-	11,265
Arif Habib Real Estate Services (Pvt.) Limited		
Nil units held (2011: 84,445 Units)	-	4,321
Amounts Due on Account of Conversion/Transfer of Units		
Payable to Pakistan Income Fund	-	10,000

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14 PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

	Name	Designation	Qualification	Experience in years
1	Mr. Yasir Qadri	Chief Executive	MBA	17
2	Mr. Kashif Rafi	Senior Vice President-Investment	MBA and CFA Level 1	11
3	Mr. Muhammad Asim	Vice President-Head of Equity	MBA & CFA	9
4	Mr. Syed Akbar Ali	Vice President-Head of Research	MBA & CFA	7
5	Mr. Mohsin Pervez	Vice President-Investment	CFA Level 1	10.5
6	Syed Sheeraz Ali	Manager Fixed Income Investments (Fund Manager)	CFA Level 2	4

14.1 Other Funds managed by the Fund Manager Mr. Sheeraz Ali

a) **Pakistan Capital Protected Fund-Fixed Income Secur**

15 TOP TEN BROKERS / DEALERS BY PERCENTAGE OF COMMISSION PAID

	2012
1 BMA Capital Management Limited	29.73%
2 Invest Capital Investment Bank Limited	10.46%
3 KASB Securities Limited	9.30%
4 Invest and Finance securities Corporation Limited	8.18%
5 Invisor Securities (Pvt) Limited	7.74%
6 Global Securities Pakistan Limited	6.47%
7 JS Global Capital Limited	5.60%
8 C & M Management (Pvt) Limited	5.28%
9 Pearl Securities (Pvt) Limited	3.69%
10 Elixier Securities (Pvt) Limited	2.47%
	2011
1 BMA Capital Management Limited.	61.27%
2 Invest Capital Investment Bank Limited.	11.42%
3 Invest and Finance.	8.23%
4 First Capital Securities Corporation Limited.	6.71%
5 KASB Securities Limited.	4.12%
6 Atlas Capital Markets (Private) Limited.	4.12%
7 Vector Capital (Private) Limited	4.12%
8 ICON Securities.	0.01%

16 PATTERN OF UNIT HOLDING

	June 30, 2012		
	Number of unit holders	Investment Amount	Percentage Investment
	(Rupees in '000)		
Individual	517	813,286	21.21
Listed Company	1	27,305	0.71
Other Company	41	1,148,416	29.95
Provident Fund	12	60,232	1.57
Pension Fund	1	761	0.02
Gratuity Fund	5	39,072	1.02
Insurance Companies	8	183,715	4.79
Associated Company	1	13,121	0.34
NBFC	3	50,396	1.31
Director	1	3,030	0.08
Foreign	2	125	0.00
Public Limited Banks	2	1,494,804	38.99
	594	3,834,263	100.00
	June 30, 2011		
	Number of unit holders	Investment Amount	Percentage Investment
	(Rupees in '000)		
Individuals	378	387,864	14.31
Directors	1	337	0.01
Insurance companies	10	634,580	23.41
Bank / DFIs	3	169,043	6.24
NBFCs	2	2,796	0.10
Retirement funds	19	86,769	3.20
Public Limited companies	1	119,111	4.39
Associates	3	116,912	4.32
Others	40	1,193,273	44.02
	457	2,710,685	100.00

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17 ATTENDANCE AT MEETINGS OF BOARD OF DIRECTORS

The 89th, 90th, 91st, 92nd, 93rd, 94th, 95th, 96th and 97th BoD meetings of the Fund were held on July 4, 2011, August 8, 2011, September 10, 2011, September 20, 2011, October 26, 2011, January 27, 2012, March 29, 2012, April 27, 2012 and June 25, 2012 respectively. Information in respect of attendance by Directors in the meetings is given below:

	Name of Directors	Number of meetings held	Number of Meetings			Meetings not attended
			Attendance required	Attended	Leave granted	
1	Mian Muhammad Mansha	9	9	4	5	89th, 90th, 93rd, 96th and 97th meetings
2	Mr. Nasim Beg	9	9	9	-	-
3	Syed Salman Ali Shah	9	9	8	1	92nd meeting
4	Mr. Haroun Rashid	9	9	6	3	91st, 92nd and 95th meetings
5	Mr. Ahmed Jahangir	9	9	7	2	91st and 92nd meetings.
6	Mr. Samad A. Habib	9	9	6	3	89th, 91st and 96th meetings
7	Mr. Mirza Mahmood Ahmad	9	9	7	2	89th and 97th meetings
8	Mr. Yasir Qadri (Chief Executive Officer)	9	9	9	-	-

18 FINANCIAL RISK MANAGEMENT

The Fund primarily invests in a portfolio of money market investments such as government securities and Reverse repurchase transactions. These activities are exposed to a variety of financial risks: market risk, credit risk and liquidity risk.

18.1 Market risk

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

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

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

18.1.1 Currency risk

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

18.1.2 Interest rate risk

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

a) Sensitivity analysis for fixed rate instruments

As at June 30, 2012, the Fund only holds Treasury Bills which are classified 'as at fair value through profit or loss' exposing the Fund to fair value interest rate risk. In case of 100 basis points increase in rates announced by Financial Markets Association on June 30, 2012 with all other variables held constant, the net income for the year and net assets would be lower by Rs. 4.15 million (2011: Rs 4.3 million). In case of 100 basis points decrease in rates announced by Financial Market Association on June 30, 2012, with all other variables held constant, the net income for the year and net assets would be higher by Rs. 1.66 million (2011: Rs 2.7 million).

b) Sensitivity of variable rate instruments

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

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The composition of the Fund's investment portfolio and rates announced by Financial Market Association is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2012 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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

As at June 30, 2012

Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		

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

On-balance sheet financial instruments

Financial assets

Balances with banks	42,834	-	-	2	42,836
Receivable against sale of investments	-	-	-	-	-
Investments	3,810,872	-	-	-	3,810,872
Profit receivable	-	-	-	1,213	1,213
	<u>3,853,706</u>	<u>-</u>	<u>-</u>	<u>1,215</u>	<u>3,854,921</u>

Financial liabilities

Payable to the Management Company	-	-	-	4,634	4,634
Accrued expenses and other liabilities	-	-	-	279	279
	-	-	-	4,913	4,913

On-balance sheet gap

<u>3,853,706</u>	<u>-</u>	<u>-</u>	<u>(3,698)</u>	<u>3,850,008</u>
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Off-balance sheet financial instruments

-	-	-	-	-
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Off-balance sheet gap

-	-	-	-	-
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As at June 30, 2011

Exposed to Yield / Interest risk			Not exposed to Yield / Interest rate risk	Total
Upto three months	More than three months and upto one year	More than one year		

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

On-balance sheet financial instruments

Financial assets

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

Financial liabilities

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

On-balance sheet gap

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

-	-	-	-	-
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Off-balance sheet gap

-	-	-	-	-
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**PAKISTAN CASH MANAGEMENT FUND
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18.2 Credit risk

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

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

Bank Balances by rating category	2012
A1+	100%
	2011
AA+	99%
AA	1%

The maximum exposure to credit risk before any credit enhancement as at June 30, 2012 is the carrying amount of the financial assets. None of these assets are impaired nor past due.

Concentration of credit risk

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

18.3 Liquidity risk

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

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

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

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

	As at June 30, 2012			
	Total	Upto three months	More than three months and upto one year	More than one year
	-----Rupees in '000-----			
Liabilities				
Payable to the Management Company	4,634	4,634	-	-
Accrued expenses and other liabilities	279	279	-	-
	4,913	4,913	-	-

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

		As at June 30, 2011			
		Total	Upto three months	More than three months and upto one year	More than one year
		-----Rupees in '000-----			
Liabilities					
	Payable to the Management Company	3,803	3,203	200	400
	Accrued expenses and other liabilities	10,205	10,205	-	-
		<u>14,008</u>	<u>13,408</u>	<u>200</u>	<u>400</u>
18.4 Financial instruments by category		As at June 30, 2012			
		Loans and receivables	Assets at fair value through profit or loss	Total	
		-----Rupees in '000-----			
Assets					
	Balances with banks	42,836	-	42,836	
	Receivable against sale of investments	-	-	-	
	Investments	-	3,810,872	3,810,872	
	Other receivables	59	-	59	
	Profit receivable	1,213	-	1,213	
		<u>44,108</u>	<u>3,810,872</u>	<u>3,854,980</u>	
		As at June 30, 2012			
		Liabilities at fair value through profit or loss	Other financial liabilities	Total	
		-----Rupees in '000-----			
Liabilities					
	Payable to the Management Company	-	4,634	4,634	
	Accrued expenses and other liabilities	-	279	279	
		<u>-</u>	<u>4,913</u>	<u>4,913</u>	
		As at June 30, 2011			
		Loans and receivables	Assets at fair value through profit or loss	Total	
		-----Rupees in '000-----			
Assets					
	Balances with banks	91,458	-	91,458	
	Receivable against sale of investments	562	-	562	
	Investments	-	2,632,650	2,632,650	
	Other receivable	67	-	67	
	Profit receivable	624	-	624	
		<u>92,711</u>	<u>2,632,650</u>	<u>2,725,361</u>	

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	As at June 30, 2011		
	Liabilities at fair value through profit or loss	Other financial liabilities	Total
	-----Rupees in '000-----		
Liabilities			
Payable to the Management Company	-	3,803	3,803
Accrued expenses and other liabilities	-	10,205	10,205
	-	14,008	14,008

18.5 Fair value of financial assets and liabilities

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

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

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

	As at June 30, 2012			
	Level 1	Level 2	Level 3	Total
	----- Rupees in '000 -----			
ASSETS				
Investment in government securities- 'at fair value through profit or loss'	-	3,810,872	-	3,810,872

19 CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units. They are entitled to dividends and to payment of a proportionate share based on the Fund's net asset value per share on the redemption date. The relevant movements are shown on the statement of movement in unit holders' funds.

The Fund's objectives when managing capital are to safeguard its ability to continue as a going concern so that it can continue to provide returns for unit holders and to maintain a strong capital base to meet unexpected losses or opportunities. In accordance with the NBFC Regulations the Fund is required to distribute at least ninety percent of its income from sources other than unrealised capital gain as reduced by such expenses as are chargeable to the Fund.

In accordance with the risk management policies stated in note 18, the Fund primarily invests in short dated government papers to ensure liquidity.

20 DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on **August 15, 2012** by the Board of Directors of the Management Company.

21 CORRESPONDING FIGURES

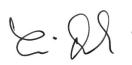
Corresponding figures have been rearranged and reclassified, whenever necessary, for the purpose of comparison. There were no major reclassifications during the year.

**PAKISTAN CASH MANAGEMENT FUND
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

22 GENERAL

22.1 Figures have been rounded off to the nearest thousand rupees.

22.2 The Fund has elected to present all non-owner changes in equity (i.e. comprehensive income) in the income statement.



Chief Executive Officer

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



Director

**PAKISTAN CASH MANAGEMENT FUND
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2012**

Category	No.of Unit Holders	Units
Associated Company, undertakings and related parties		
Arif Habib Investments	1	262,009.21
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.	13	34,523,546
Individuals	519	16,242,459
Corporate	41	19,144,091
Trust	19	6,331,232
Directors		
Nasim Beg	1	60,501
	594	76,563,838

**PAKISTAN CASH MANAGEMENT FUND
PATTERN OF UNIT HOLDING BY SIZE
FOR THE YEAR ENDED JUNE 30, 2012**

No. of Unit Holders	Units Holdings	Total Units Held
197	(SHAREHOLDING FROM 1.0000 TO 5000.0000)	337,082.43
92	(SHAREHOLDING FROM 5001.0000 TO 10000.0000)	670,673.45
68	(SHAREHOLDING FROM 10001.0000 TO 15000.0000)	773,323.98
27	(SHAREHOLDING FROM 15001.0000 TO 20000.0000)	474,393.29
15	(SHAREHOLDING FROM 20001.0000 TO 25000.0000)	334,222.74
11	(SHAREHOLDING FROM 25001.0000 TO 30000.0000)	298,110.61
13	(SHAREHOLDING FROM 30001.0000 TO 35000.0000)	410,772.50
3	(SHAREHOLDING FROM 35001.0000 TO 40000.0000)	112,584.87
10	(SHAREHOLDING FROM 40001.0000 TO 45000.0000)	423,149.03
6	(SHAREHOLDING FROM 45001.0000 TO 50000.0000)	277,047.99
10	(SHAREHOLDING FROM 50001.0000 TO 55000.0000)	519,840.00
7	(SHAREHOLDING FROM 55001.0000 TO 60000.0000)	407,738.45
10	(SHAREHOLDING FROM 60001.0000 TO 65000.0000)	625,589.77
7	(SHAREHOLDING FROM 65001.0000 TO 70000.0000)	471,916.68
4	(SHAREHOLDING FROM 70001.0000 TO 75000.0000)	284,927.73
2	(SHAREHOLDING FROM 75001.0000 TO 80000.0000)	156,943.32
2	(SHAREHOLDING FROM 90001.0000 TO 95000.0000)	183,553.82
1	(SHAREHOLDING FROM 95001.0000 TO 100000.0000)	96,486.82
2	(SHAREHOLDING FROM 100001.0000 TO 105000.0000)	202,982.57
4	(SHAREHOLDING FROM 105001.0000 TO 110000.0000)	428,881.26
1	(SHAREHOLDING FROM 110001.0000 TO 115000.0000)	112,011.52
4	(SHAREHOLDING FROM 115001.0000 TO 120000.0000)	471,388.20
2	(SHAREHOLDING FROM 120001.0000 TO 125000.0000)	247,018.18
1	(SHAREHOLDING FROM 125001.0000 TO 130000.0000)	129,133.26
2	(SHAREHOLDING FROM 140001.0000 TO 145000.0000)	288,215.24
1	(SHAREHOLDING FROM 150001.0000 TO 155000.0000)	154,183.21
1	(SHAREHOLDING FROM 155001.0000 TO 160000.0000)	155,066.99
2	(SHAREHOLDING FROM 160001.0000 TO 165000.0000)	325,019.19
2	(SHAREHOLDING FROM 165001.0000 TO 170000.0000)	330,336.28
1	(SHAREHOLDING FROM 180001.0000 TO 185000.0000)	182,914.38
1	(SHAREHOLDING FROM 185001.0000 TO 190000.0000)	189,235.98
5	(SHAREHOLDING FROM 195001.0000 TO 200000.0000)	988,765.21
2	(SHAREHOLDING FROM 200001.0000 TO 205000.0000)	404,482.16
1	(SHAREHOLDING FROM 210001.0000 TO 215000.0000)	211,552.19
2	(SHAREHOLDING FROM 215001.0000 TO 220000.0000)	435,700.40
1	(SHAREHOLDING FROM 250001.0000 TO 255000.0000)	252,630.25
1	(SHAREHOLDING FROM 260001.0000 TO 265000.0000)	262,009.21
1	(SHAREHOLDING FROM 285001.0000 TO 290000.0000)	286,263.00
1	(SHAREHOLDING FROM 295001.0000 TO 300000.0000)	298,663.46
2	(SHAREHOLDING FROM 300001.0000 TO 305000.0000)	606,797.14
1	(SHAREHOLDING FROM 370001.0000 TO 375000.0000)	373,972.64
2	(SHAREHOLDING FROM 395001.0000 TO 400000.0000)	798,934.45
1	(SHAREHOLDING FROM 475001.0000 TO 480000.0000)	479,144.06
1	(SHAREHOLDING FROM 480001.0000 TO 485000.0000)	484,870.65
1	(SHAREHOLDING FROM 500001.0000 TO 505000.0000)	503,692.04
1	(SHAREHOLDING FROM 505001.0000 TO 510000.0000)	507,177.71
1	(SHAREHOLDING FROM 545001.0000 TO 550000.0000)	545,228.82
2	(SHAREHOLDING FROM 555001.0000 TO 560000.0000)	1,116,490.99
1	(SHAREHOLDING FROM 560001.0000 TO 565000.0000)	563,642.39
1	(SHAREHOLDING FROM 620001.0000 TO 625000.0000)	621,441.06
1	(SHAREHOLDING FROM 640001.0000 TO 645000.0000)	644,394.42
1	(SHAREHOLDING FROM 670001.0000 TO 675000.0000)	673,872.32
1	(SHAREHOLDING FROM 995001.0000 TO 1000000.0000)	999,440.31
1	(SHAREHOLDING FROM 1100001.0000 TO 1105000.0000)	1,100,194.88
1	(SHAREHOLDING FROM 1525001.0000 TO 1530000.0000)	1,526,940.78
1	(SHAREHOLDING FROM 1810001.0000 TO 1815000.0000)	1,813,899.22
1	(SHAREHOLDING FROM 2045001.0000 TO 2050000.0000)	2,049,059.48
1	(SHAREHOLDING FROM 2195001.0000 TO 2200000.0000)	2,200,000.00
1	(SHAREHOLDING FROM 2540001.0000 TO 2545000.0000)	2,540,554.19
1	(SHAREHOLDING FROM 2830001.0000 TO 2835000.0000)	2,834,307.92
1	(SHAREHOLDING FROM 2870001.0000 TO 2875000.0000)	2,874,827.74
1	(SHAREHOLDING FROM 3505001.0000 TO 3510000.0000)	3,507,131.40
1	(SHAREHOLDING FROM 4330001.0000 TO 4335000.0000)	4,333,086.74
1	(SHAREHOLDING FROM 29645001.0000 TO 29650000.0000)	29,649,952.66
594	Total :	76,563,838

PAKISTAN CASH MANAGEMENT FUND PERFORMANCE TABLE

	June 30, 2012	June 30, 2011	June 30, 2010 (Rupees in '1000)	June 30, 2009	June 30, 2008
Net Assets	3,834,263	2,710,685	2,061,964	579,814	114,075
Net Income	276,222	313,035	167,210	22,533	2,526
(Rupees per unit)					
Net Asset Value per Unit	50.0792	51.1828	50.6935	50.6800	50.5400
Interim distribution per unit *	4.7804	4.5500	4.6932	5.0400	0.6500
Final distribution per Unit	0.4343	1.1801	0.6900	0.6750	0.5000
Distribution date-final	June 24, 2012	July 4, 2011	July 5, 2010	July 6, 2009	July 3, 2008
Year end offer price per unit	50.0792	51.1828	50.6935	50.6800	50.5400
Year end repurchase price per unit	50.0792	51.1828	50.6935	50.6800	50.5400
Highest offer price	50.6884	50.6935	50.6807	50.6700	50.7000
Lowest offer price	50.0072	50.6935	50.0700	50.0600	50.0800
Highest repurchase price per unit	50.6884	51.1800	50.6807	50.6700	50.7000
Lowest repurchase price per unit	50.0072	50.0400	50.0700	50.0600	50.0700
(Percentage)					
Total return of the Fund					
Capital growth	0.75	-	0.52	0.52	0.33
Income Distribution	10.29	11.47	10.76	11.43	8.17
Average annual return					
One Year	11.04	12.00	11.28	11.95	8.50
Since inception	11.40	13.10	11.25	11.24	-
Waeighted average portfolio duration	32 days	48 days	37 days	42 days	85 days

* Interim Distribution

Date	2012 Rate per Unit
25th July 2011	0.36
24th August 2011	0.46
23rd September 2011	0.44
24th October 2011	0.44
25th November 2011	0.44
25th December 2011	0.44
24th January 2012	0.44
23rd February 2012	0.44
25th March 2012	0.44
25th April 2012	0.44
25th May 2012	0.43

Disclaimer

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