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## FUND'S INFORMATION

<b>Management Company</b>	Arif Habib Investments Limited Arif Habib Centre, 23 M.T. Khan Road, Karachi-74000.	
<b>Board of Directors of the Management Company</b>	Mr. Muhammad Shafi Malik	Chairman
	Mr. Nasim Beg	Chief Executive
	Syed Ajaz Ahmed	Director
	Mr. Sirajuddin Cassim	Director
	Mr. Muhammad Akmal Jameel	Director
	Mr. Muhammad Kashif	Director
	Mr. S. Gulrez Yazdani	Director
	Mr. Samad A. Habib	Director
<b>Audit Committee</b>	Mr. Muhammad Shafi Malik	Chairman
	Syed Ajaz Ahmed	Member
	Mr. Muhammad Akmal Jameel	Member
	Mr. Samad A. Habib	Member
<b>CFO &amp; Company Secretary of the Management Company</b>	Mr. Zeeshan	
<b>Trustee</b>	Habib Metropolitan Bank Limited 7th Floor, HBZ Plaza, I.I. Chundrigar Road, Karachi.	
<b>Bankers</b>	Habib Metropolitan Bank Bank Alfalah Limited Standard Chartered Bank (Pakistan) Limited	
<b>Auditors</b>	A.F. Ferguson & Co. Chartered Accountants State Life Building No.1-C, I.I. Chundrigar Road, Karachi-74000.	
<b>Legal Adviser</b>	Bawaney & Partners 404, 4th Floor, Beaumont Plaza, Beaumont Road, Civil Lines, Karachi-75530	
<b>Registrar</b>	Gangjees Registrar Services (Pvt.) Limited. Room No. 516, 5th Floor, Clifton Centre, Kehkashan, Clifton, Karachi.	
<b>Rating</b>	PACRA: AAA (f) Stability Rating Star Normal) PACRA AM2 (Positive Outlook) - Management Quality Rating assigned to Management Company	

**REPORT OF THE DIRECTORS OF THE MANAGEMENT COMPANY  
FOR THE NINE MONTHS ENDED MARCH 31, 2011**

The Board of Directors of Arif Habib Investments Limited, the Management Company of Pakistan Cash Management Fund (PCF), is pleased to present its report together with Condensed Interim Financial Statements for the nine months ended March 31, 2011.

**Fund Objective**

The objective of the Fund is to deliver regular income, preservation of capital and high level of liquidity primarily from short duration government securities investments.

**Fund Profile**

PCF is an open end fund, which invests in government securities mainly Treasury Bills and short maturity reverse repurchase transactions against Government Securities. The un-invested funds are kept in deposits with AA or better rated Commercial Banks. The overall duration 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 checking bank accounts. PCF is a long only fund and cannot undertake leveraged investments.

**Fund Performance during the nine months ended March 31, 2011**

The net assets of the Fund as at March 31, 2011 stood at Rs 2,389.47 million compared to Rs 2,061.96 million at June 30, 2010 registering an increase of 15.88%.

The ex-dividend Net Asset Value (NAV) per unit at the beginning of the period was Rs 50.0035 and with an increase of Rs 4.2455 in the NAV per unit recorded during the period under review; the NAV per unit on March 31, 2011 was Rs 50.5390 after interim distribution of Rs 3.7100 per unit.

**Income Distribution**

During the period, the Management Company has made the following interim distributions:

Date of Distribution	Interim payouts during the Quarter	
	(PKR/Unit)	Return as % of opening Ex -NAV
July 25, 2010	0.3500	0.70% of Ex-NAV of June 30, 2010
August 25, 2010	0.4200	0.84% of Ex-NAV of July 25, 2010
September 25, 2010	0.4 200	0.84% of Ex-NAV of August 25, 2010
October 25, 2010	0.4 200	0.84% of Ex-NAV of September 25, 2010
November 25, 2010	0.4 200	0.84% of Ex-NAV of October 25, 2010
December 25, 2010	0.4 200	0.84% of Ex-NAV of November 25, 2010
January 25, 2011	0.4 200	0.84% of Ex-NAV of December 25, 2010
February 25, 2011	0.4 200	0.83% of Ex-NAV of January 25, 2011
March 25, 2011	0.4 200	0.83% of Ex-NAV of February 25, 2011
<b>Total</b>	<b>3.71 00</b>	

**Future Outlook and Fund Performance**

Future Outlook and Fund Performance is fully explained in Fund Manager Report attached to this report

**Acknowledgement**

The Board is thankful to its valued investors, the Securities and Exchange Commission of Pakistan, State Bank of Pakistan, the Trustees of the Fund, Habib Metropolitan Bank Limited (the trustee of the Fund) and the management of the Islamabad Stock Exchange for their continued cooperation and support. The Directors of the Management Company also acknowledge the efforts put in by the team of the Management Company for the growth and the meticulous management of the Fund.

For and on behalf of the Board

April 23, 2011  
Karachi.

**Nasim Beg**  
Chief Executive

## REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED MARCH 31, 2011

### Objective

The Fund aims to deliver regular income and provide high level of liquidity, primarily, from short duration Government Securities investments.

### Fund Profile

Pakistan Cash Management Fund (PCF) is an open end fund, which invests 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 account deposits with banks. PCF is a long only fund.

### Fund Performance & Asset Allocation

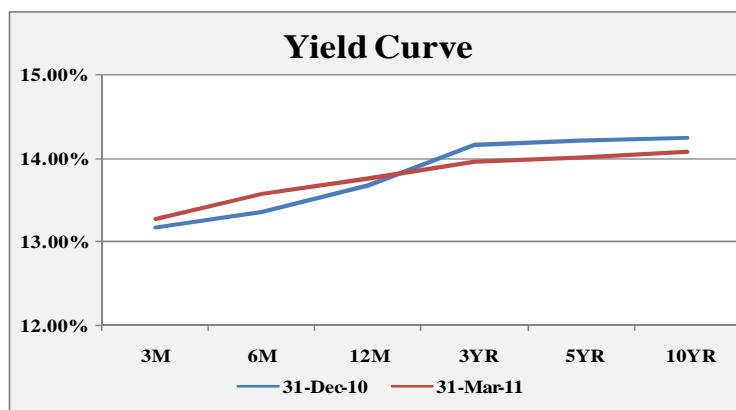
PCF earned an annualized return of 11.85% during the 3rd quarter FY2011 against its benchmark return of 13.01% p.a. Annualized return for 9 months FY11 was 11.71% during the period ended March 31, 2011 compared to its benchmark return of 12.08% for the same period. The improved return compared to last quarter (11.36%p.a.) was due to active duration management amid stable interest rate environment. The overall average portfolio duration was 36 days at the end of the period. Net assets stood at Rs. 2.39 billion, marking an increase of 7.4% from Rs. 2.22 billion, last quarter.

The Fund remained mostly invested in short maturity T-bills which were 99.8% of net assets at the end of the period.

As a policy, PCF distributes monthly dividends in order to provide better periodic net-of-tax returns to investors. During this quarter, PCF declared total dividends of Rs.1.26/unit (Rs. 2.45/unit in the last two quarters FY2011). Hence the total cumulative dividend yield was 10.10%p.a. for the three quarters FY2011.

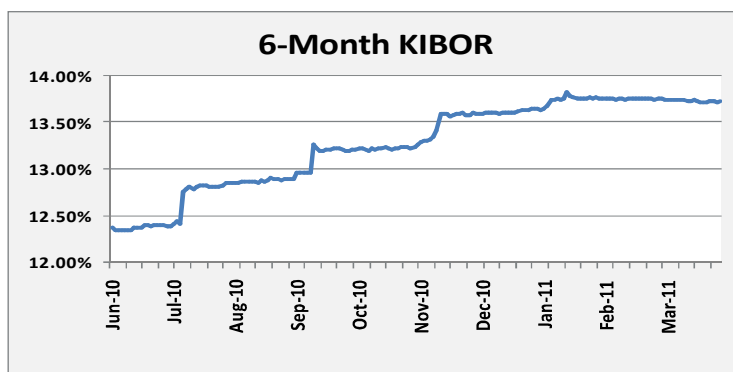
### Treasury Market Review

SBP kept the discount rate unchanged at 14% during the quarter as the rate of increase in inflation has reduced to 13.16% in March compared to 15.45% YoY growth in December. Higher interest rate expectations earlier in the year had pushed up yields initially across all tenors. However, long term yields finished the quarter lower by approximately 17 bps to 14.08% compared to December end. While short term rates remained at comparatively higher side throughout the period amid tight liquidity in the system. This has led to reduction in the steepness of the yield curve in comparison to that of December 2010.



Change in PKRV & KIBOR		
Tenor	31 Dec, 10 (%)	31 Mar, 11 (%)
Overnight	13.90	13.90
KIBOR (6-M)	13.62	13.73
90-Days	13.17	13.27
180-Days	13.36	13.58
365-Days	13.68	13.76
3-Years	14.16	13.97
5-Years	14.22	14.02
10-Years	14.25	14.08

Similarly, 6-month KIBOR displayed rising trend during the quarter to close at 13.73% or 11bps higher as compared to last quarter's close of 13.62%.



#### Treasury Bill

Short term interest rates have risen sharply in January, 3 month T-Bill near 13.6% and 1 year at 13.84% amid expectations of further tightening and high inflation numbers, however, the unchanged discount rate and ease in inflationary pressure pushed the short term rates lower with 3 months and 1 year rates at 13.27% and 13.76% respectively by quarter end.

Earlier in the quarter, higher participation was seen in 3 month T-bill; however, the stability in interest rates resulted in shift in bidding pattern with increasingly high participation in 6 month and 1 year T-bills. Total T-bills worth Rs. 997.0 billion were sold against a target of Rs. 980.0 billion amid T-bill maturity of Rs. 854.0 billion. Cut-off yields closed at 13.25%, 13.64% and 13.80% in 3 and 6-months and 1-year tenures respectively.

#### Future Outlook

Reduction in headline inflation during the last two months, restraint in government's borrowing from SBP, and measures for reducing budgetary deficits have resulted in providing a breather to interest rates. With the expectations of pause in the discount rate hike for the next few months, market yields of government securities are expected to remain stable during the next quarter. Given the short duration of PCF portfolio, the Fund is adequately protected from adverse movement in interest rates.



### 3QFY11 Economic Review

During the third quarter of the fiscal year, pick up in textile exports and higher remittances helped in reducing the pressure from rising international oil prices and keeping the current account deficit in check. The rate of increase in inflation has reduced during the quarter to 13.16% in March compared to 15.45% YoY growth in December, therefore allowing the central bank to keep the discount rate unchanged at 14% during the last two monetary policy reviews. Following the last round of talks with IMF in March, the government has finally taken additional taxation measures to reduce the rising fiscal gap for the current fiscal year.

#### Fiscal Side

Given the rising fiscal deficit (2.8% of GDP during 1HFY11 against the full year target of 5.5%), GoP introduced new taxation measures in March which would collect Rs 53 billion through removal of subsidies and/or further taxes on income, imports, agriculture, and domestic sales of zero-rated export-oriented items, while Rs 67 billion is expected to be saved from the government expenditure side. Of Rs 53 billion, Rs 20 billion will be collected through 15% flood surcharge on income-tax, Rs 25 billion revenue will be accumulated through withdrawal of sales tax exemptions on fertilizers, pesticides and tractors, Rs 6 billion revenue through increase in special excise duty on imports from 1% - 2.5% and Rs 2 billion proceeds from increase in tax on sugar.

Total tax collection from July – February, 2011 summed up to Rs 876 billion against a target of Rs 1,600 billion for the full FY. With the above mentioned measures, it is now expected that tax revenue target for the current fiscal year is likely to be met. However, given the additional expenditures on last year floods, the fiscal deficit is expected to be higher than the government target of 5.5% for the year ending June 2011.

#### Inflation

Inflation figures for 3QFY11 came down considerably from 15.45% YoY in December, 2010 to 13.16% YoY in March 2011. This was due to the following reasons: first, high base-effect of last year starting January, 2010, and second, containment of government borrowing from the SBP within agreed limits. Nonetheless, inflation is expected to edge higher over the next few months given the outlook of an increase in international commodity prices especially oil prices, higher domestic commodity prices with the introduction of 'mini-budget' to enhance the tax base, and expectations of an increase in government borrowing to fund fiscal deficit.

#### Real Sector

Large Scale Manufacturing (LSM) figures for July – January 2011 showed an increase of 2.34% over the corresponding period of last year. The growth in manufacturing is restricted to few sectors, with majority of the industries showing decline. Textiles, Pakistan's largest industry having one fourth of the total weight could only increase by 0.6%. Major contribution has come from sugar sector (4.15% weight) showing a growth of 8.1% till January and which is likely to improve further as recent reports suggest that total output of sugar for this year has exceeded 4 m tones compared to only 3.1 m tones in the previous year. Other growth sectors have been automobile production (+16.8%), pharmaceuticals (+5.8%), chemicals (+3.5%) and leather products (+14.2%). All other manufacturing sectors were in decline including food and beverages (-2%), petroleum products (-6.2%), metal industries (-8.1%), non metallic minerals (-11.8%), fertilizers (-7.2%) and cement (-10.6%).

#### External Side

External sector continued to post encouraging figures in 3QFY11. Current Account Deficit (CAD) from July – February, 2011 equalled US\$ 98 million against US\$ 3,027 million deficit in the same period of preceding year, thus showing a decrease of almost 97%. This is explained by an improvement in balance



on Goods & Services & Income account where deficit decreased from US\$ 11.2 billion in July-February, 2010, to US\$ 9.9 billion in the same period of current FY. Remittances also played a key role in uplifting the CAD as US\$ 8.02 billion were received from July- March, 2011 against US\$ 6.54 billion in the corresponding period of last year, thus showing a growth of 22.39%. The SBP expects current account deficit for FY 11 in the range of 1 – 1.5%. Exports from July – March, 2011 were US\$ 18.1 billion against a US\$ 14.3 billion exports in the same period last year, posting a robust growth of 26.6% YoY. Textile export was yet once again the major determinant of this growth as US\$ 9.92 billion was contributed by textiles. Imports for the same period equalled US\$ 29.1 billion against US\$ 25.1 billion in the first 9 months of last FY. This translates into a growth 15.97%. Petroleum group imports stood at US\$ 8.15 billion from July – March, 2011 showing a growth of 11%. Forex reserves YtD (March 19, 2011) closed at US\$ 17.5 billion against US\$ 16.75 billion at the end of FY10.

Moreover, Asian Development Bank approved a US\$ 650 million loan which will be used to build the damaged infrastructure due to the floods which hit the country early FY11.

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

	<b>Unaudited</b>	<b>Audited</b>
	<b>March 31,</b>	<b>June 30,</b>
	<b>2011</b>	<b>2010</b>
<i>Note</i>	<b>(Rupees in '000)</b>	
<b>Assets</b>		
Bank balances	3,269	74,872
Receivable against sale of units	6,033	1,100
Profit receivable	99	2
Investments	2,384,319	1,989,521
Other receivables	48	-
Preliminary expenses and floatation costs	395	544
<b>Total assets</b>	<b>2,394,163</b>	<b>2,066,039</b>
<b>Liabilities</b>		
Payable to the Management Company	3,930	2,980
Accrued expenses and other liabilities	761	1,095
<b>Total liabilities</b>	<b>4,691</b>	<b>4,075</b>
<b>Net assets</b>	<b>2,389,472</b>	<b>2,061,964</b>
<b>Unit holders' funds</b>	<b>2,389,472</b>	<b>2,061,964</b>
<b>CONTINGENCIES AND COMMITMENTS</b>	6	
	<b>(Number of Units)</b>	
<b>Number of units in issue</b>	<b>47,279,773</b>	<b>40,675,146</b>
	<b>(Rupees)</b>	
<b>Net asset value per unit</b>	<b>50.5390</b>	<b>50.6935</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

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

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

\_\_\_\_\_  
Director



**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended		Quarter ended	
	March 31,		March 31,	
	2011	2010	2011	2010
	----- (Rupees in '000) -----			
<b>Income</b>				
Capital gain / (loss) on sale of investments- net	122	(149)	48	(11)
Income from reverse repurchase transactions	1,204	4,300	1,007	936
Income from government securities	251,639	96,990	91,985	52,266
Profit on bank deposits	3,136	3,475	856	540
Other income	4	15	-	2
Unrealised (diminution) / appreciation in the value of investments - 'at fair value through profit or loss'- net	(121)	(689)	167	(346)
<b>Total income</b>	<b>255,984</b>	<b>103,942</b>	<b>94,063</b>	<b>53,387</b>
<b>Operating Expenses</b>				
Performance fee of the Management Company	25,426	10,397	9,406	5,339
Securities transaction cost	277	239	132	116
Legal and professional charges	93	111	30	30
Amortisation of preliminary expenses and floatation costs	150	150	49	49
<b>Total operating expenses</b>	<b>25,946</b>	<b>10,897</b>	<b>9,617</b>	<b>5,534</b>
<b>Net income from operating expenses</b>	<b>230,038</b>	<b>93,045</b>	<b>84,446</b>	<b>47,853</b>
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units repurchased- net	(1,349)	9,083	(189)	5,744
<b>Net income for the period</b>	<b>228,689</b>	<b>102,128</b>	<b>84,257</b>	<b>53,597</b>
Other comprehensive income / (loss) for the period	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>228,689</b>	<b>102,128</b>	<b>84,257</b>	<b>53,597</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

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

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

\_\_\_\_\_  
Director

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
<i>Note</i> -----	<b>(Rupees in '000)</b> -----			
Undistributed income brought forward	<b>28,208</b>	7,731	<b>15,136</b>	6,399
<b>Final Distribution</b>				
Final Distribution for the year ended June 30, 2010				
@ Re 0.6900 per unit (Date of Distribution: July 5, 2010)				
(2009:Re 0.6750 per unit)				
-Bonus	<b>(26,683)</b>	(7,056)	-	-
-Cash distribution	<b>(1,382)</b>	(667)	-	-
Net income for the period	<b>228,689</b>	102,128	<b>84,257</b>	53,597
<b>Interim Distribution</b>				
Interim distribution for the period ended March 31, 2011:				
-Bonus	<b>(195,578)</b>	(79,836)	<b>(71,132)</b>	(40,254)
-Cash distribution	<b>(7,769)</b>	(10,089)	<b>(2,776)</b>	(7,531)
Undistributed income carried forward	<u><b>25,485</b></u>	<u>12,211</u>	<u><b>25,485</b></u>	<u>12,211</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

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

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

\_\_\_\_\_  
**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended		Quarter ended	
	March 31,		March 31,	
	2011	2010	2011	2010
----- (Rupees in '000) -----				
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net income for the period	228,689	102,128	84,257	53,597
<b>Adjustments for non-cash items:</b>				
Unrealised diminution / (appreciation) in the value of investments 'at fair value through profit or loss'- net	121	689	(167)	346
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units repurchased- net	1,349	(9,083)	189	(5,744)
Amortisation of preliminary expenses and floatation costs	150	150	49	49
	<b>230,309</b>	<b>93,884</b>	<b>84,328</b>	<b>48,248</b>
<b>(Increase) / decrease in assets</b>				
Investments	(394,919)	(1,412,768)	(344,853)	(804,790)
Receivable against reverse repurchase transactions	-	(42,972)	-	(76,119)
Profit receivable	(97)	1,646	372	797
Receivable against sale of units	(4,933)	(505)	(3,143)	10,470
Other receivable	(48)	374	(20)	(20)
	(399,997)	(1,454,225)	(347,644)	(869,662)
<b>Increase / (decrease) in liabilities</b>				
Payable to the Management Company	950	1,451	549	1,850
Accrued expenses and other liabilities	(334)	84,732	(21,958)	84,716
	616	86,183	(21,409)	86,566
<b>Net cash used in operating activities</b>	<b>(169,072)</b>	<b>(1,274,158)</b>	<b>(284,726)</b>	<b>(734,848)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Receipt from sale of units	3,504,108	3,210,689	1,113,113	1,442,605
Payment against repurchase of units	(3,397,488)	(1,963,962)	(1,029,202)	(697,532)
Net receipt / (payment) from sale and repurchase of units	106,620	1,246,727	83,911	745,073
Dividend paid	(9,151)	(10,756)	(2,776)	(7,531)
<b>Net cash generated from operating activities</b>	<b>97,469</b>	<b>1,235,971</b>	<b>81,135</b>	<b>737,542</b>
<b>Net (decrease) / increase in cash and cash equivalents during the period</b>				
	(71,603)	(38,187)	(203,591)	2,694
Cash and cash equivalents at beginning of the period	74,872	50,895	206,860	10,014
<b>Cash and cash equivalents at end of the period</b>	<b>3,269</b>	<b>12,708</b>	<b>3,269</b>	<b>12,708</b>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

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

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

\_\_\_\_\_  
Director

**CONDENSED INTERIM STATEMENT OF MOVEMENT  
IN UNIT HOLDERS' FUND (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

	Nine months ended March 31,		Quarter ended March 31,	
	2011	2010	2011	2010
<i>Note</i>	----- (Rupees in '000) -----			
Net assets at beginning of the period	2,061,964	579,814	2,223,891	1,123,435
Issue of 70,867,018 units (2010: 70,386,488 units) and 23,292,040 units (2010: 35,259,195 units) for the nine months and quarter respectively	3,504,108	3,210,689	1,113,113	1,442,605
Redemption of 68,689,940 units (2010: 45,627,794 units) and 21,599,051 units (2010: 20,469,139 units) for the nine months and quarter respectively	(3,397,487)	(1,963,962)	(1,029,202)	(697,532)
	106,621	1,246,727	83,910	745,073
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units repurchased- net	1,349	(9,083)	189	(5,744)
Issue of 533,627 bonus units for the year ended June 30, 2010 @ Re 0.6900 per unit (Date of Distribution: July 5, 2010) (2009: 141,120 units @ Re 0.6750 per unit)	26,683	7,056	-	-
Interim Distribution of 3,893,922 bonus units (2010: 1,590,915 bonus units) and 1,411,625 bonus units (2010: 801,596 bonus units) for the nine months and quarter respectively	195,578	79,836	71,132	40,254
<b>Final Distribution</b>				
Issue of 533,627 bonus units for the year ended June 30, 2010 @ Re 0.6900 per unit (Date of Distribution: July 5, 2010) (2009: 141,120 units @ Re 0.6750 per unit)	(26,683)	(7,056)	-	-
Cash Distribution	(1,382)	(667)	-	-
Capital gain / (loss) on sale of investments- net	122	(149)	48	(11)
Unrealised appreciation / (diminution) in the value of investments at fair value through profit or loss - net	(121)	(689)	167	(346)
Other net income for the period	228,688	102,966	84,042	53,954
<b>Interim Distribution</b>				
Interim Distribution of 3,893,922 bonus units (2010: 1,590,915 bonus units) and 1,411,625 bonus units (2010: 801,596 bonus units) for the nine months and quarter respectively	(195,578)	(79,836)	(71,132)	(40,254)
Cash Distribution	(7,769)	(10,089)	(2,776)	(7,531)
	(2,723)	4,480	10,349	5,812
Net assets at the end of the period	<u>2,389,472</u>	<u>1,908,830</u>	<u>2,389,472</u>	<u>1,908,830</u>

The annexed notes 1 to 11 form an integral part of this condensed interim financial information.

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

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

\_\_\_\_\_  
Director



**NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE NINE MONTHS AND QUARTER ENDED MARCH 31, 2011**

**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 in accordance with the provisions of the Non-Banking Finance Companies and Notified Entities Regulations, 2007 (repealed).

The Management Company of the Fund has been licensed to act as the Asset Management Company under the Non-Banking Finance Companies (Establishment and Regulation) Rules 2003 through a certificate of registration issued by SECP.

PCF is an open-ended mutual fund. Units are offered for public subscription on a continuous basis. The units are transferable and can be redeemed by surrendering them to the Fund.

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

The Fund is allowed to invest in treasury bills, short term government instruments and reverse repurchase transactions while uninvested portion is deposited in bank having a minimum credit rating of AA.

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

**2. STATEMENT OF COMPLIANCE**

These condensed interim financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (NBFC Regulations) and directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Regulations or the directives issued by the SECP prevail. The disclosures made in these condensed interim financial statements have, however, been limited based on the requirements of the International Accounting Standard 34: 'Interim Financial Reporting'.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies applied for the preparation of these condensed interim financial statements are the same as those applied in the preparation of the annual financial statements of the Fund for the year ended June 30, 2010.

**3.3 Net Asset Value per unit**

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

**4. RISK MANAGEMENT**

The Fund's risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended June 30, 2010.

Note (Un-audited) (Audited)  
March 31, 2011 June 30, 2010  
----- Rupees in '000 -----

4 INVESTMENTS

At fair value through profit or loss  
Market Treasury Bills

4.1 2,384,319 1,989,521

4.1 At fair value through profit or loss

Issue date	Tenor	Face value			Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2010	Purchases during the period	Sales / Matured during the period	Balance as at March 31, 2011	Cost	Market value		
----- Rupees in '000 -----									
<b>Market Treasury Bills</b>									
August 13, 2009	1 Year	50,000	-	50,000	-	-	-	-	-
January 14, 2010	6 Months	100,000	-	100,000	-	-	-	-	-
February 1, 2010	6 Months	-	150,000	150,000	-	-	-	-	-
February 2, 2010	1 Year	-	375,000	375,000	-	-	-	-	-
February 11, 2010	6 Months	125,000	-	125,000	-	-	-	-	-
February 25, 2010	6 Months	10,000	-	10,000	-	-	-	-	-
February 25, 2010	1 Year	-	200,000	200,000	-	-	-	-	-
March 11, 2010	1 Year	-	245,000	245,000	-	-	-	-	-
March 25, 2010	1 Year	-	20,000	20,000	-	-	-	-	-
April 8, 2010	1 Year	-	185,000	-	185,000	184,608	184,590	(18)	7.73
April 22, 2010	3 Months	150,000	-	150,000	-	-	-	-	-
April 22, 2010	3 Months	100,000	-	100,000	-	-	-	-	-
April 22, 2010	3 Months	100,000	-	100,000	-	-	-	-	-
April 22, 2010	3 Months	100,000	-	100,000	-	-	-	-	-
April 22, 2010	3 Months	10,000	-	10,000	-	-	-	-	-
April 22, 2010	3 Months	50,000	-	50,000	-	-	-	-	-
April 22, 2010	6 Months	-	25,000	25,000	-	-	-	-	-
April 22, 2010	3 Months	133,000	-	133,000	-	-	-	-	-
May 6, 2010	3 Months	-	145,000	145,000	-	-	-	-	-
May 6, 2010	3 Months	100,000	-	100,000	-	-	-	-	-
May 20, 2010	3 Months	75,000	-	75,000	-	-	-	-	-
May 20, 2010	3 Months	150,000	-	150,000	-	-	-	-	-
May 20, 2010	3 Months	170,000	-	170,000	-	-	-	-	-
May 20, 2010	3 Months	100,000	-	100,000	-	-	-	-	-
May 20, 2010	3 Months	30,000	-	30,000	-	-	-	-	-
May 20, 2010	3 Months	-	300,000	300,000	-	-	-	-	-
June 3, 2010	3 Months	225,000	-	225,000	-	-	-	-	-
June 17, 2010	3 Months	10,000	-	10,000	-	-	-	-	-
June 17, 2010	3 Months	225,000	-	225,000	-	-	-	-	-
June 17, 2010	3 Months	-	85,000	85,000	-	-	-	-	-
June 17, 2010	3 Months	-	25,000	25,000	-	-	-	-	-
June 17, 2010	3 Months	-	74,000	74,000	-	-	-	-	-
July 15, 2010	3 Months	-	355,000	355,000	-	-	-	-	-
July 15, 2010	3 Months	-	250,000	250,000	-	-	-	-	-
July 15, 2010	3 Months	-	20,000	20,000	-	-	-	-	-
July 15, 2010	3 Months	-	200,000	200,000	-	-	-	-	-
July 15, 2010	3 Months	-	35,000	35,000	-	-	-	-	-
July 29, 2010	3 Months	-	210,000	210,000	-	-	-	-	-
July 29, 2010	3 Months	-	300,000	300,000	-	-	-	-	-
July 29, 2010	3 Months	-	100,000	100,000	-	-	-	-	-
July 29, 2010	3 Months	-	100,000	100,000	-	-	-	-	-
July 29, 2010	3 Months	-	20,000	20,000	-	-	-	-	-
August 3, 2010	6 Months	100,000	-	100,000	-	-	-	-	-
August 3, 2010	6 Months	300,000	-	300,000	-	-	-	-	-
August 13, 2010	3 Months	-	310,000	310,000	-	-	-	-	-
August 13, 2010	3 Months	-	225,000	225,000	-	-	-	-	16.020
August 13, 2010	3 Months	-	115,000	115,000	-	-	-	-	-
August 13, 2010	3 Months	-	45,000	45,000	-	-	-	-	-
August 13, 2010	3 Months	-	100,000	100,000	-	-	-	-	-
August 26, 2010	3 Months	-	187,500	187,500	-	-	-	-	-
August 26, 2010	3 Months	-	40,000	40,000	-	-	-	-	-
August 27, 2009	1 Year	-	25,000	25,000	-	-	-	-	-
September 9, 2010	3 Months	-	187,500	187,500	-	-	-	-	-
September 9, 2010	3 Months	-	100,000	100,000	-	-	-	-	-
September 9, 2010	3 Months	-	30,000	30,000	-	-	-	-	-
September 9, 2010	3 Months	-	80,000	80,000	-	-	-	-	-
September 23, 2010	3 Months	-	100,000	100,000	-	-	-	-	-
September 23, 2010	3 Months	-	25,000	25,000	-	-	-	-	-
October 7, 2010	3 Months	-	200,000	200,000	-	-	-	-	-
October 7, 2010	3 Months	-	90,000	90,000	-	-	-	-	-
October 7, 2010	3 Months	-	232,000	232,000	-	-	-	-	-
October 7, 2010	3 Months	-	250,000	250,000	-	-	-	-	-
October 7, 2010	3 Months	-	125,000	125,000	-	-	-	-	-
October 7, 2010	3 Months	-	200,000	200,000	-	-	-	-	-
October 7, 2010	6 Months	-	100,000	-	100,000	99,788	99,779	(9)	4.18
October 21, 2010	3 Months	-	25,000	25,000	-	-	-	-	-
October 21, 2010	3 Months	-	115,000	115,000	-	-	-	-	-

Issue date	Tenor	Face value				Balance as at March 31, 2011			Market value as a percentage of net assets	Market value as a percentage of total investments
		Balance as at July 1, 2010	Purchases during the period	Sales / Matured during the period	Balance as at March 31, 2011	Cost	Market value	Appreciation / (Diminution)		
Rupees in '000										
October 21, 2010	3 Months	200,000	-	-	200,000	-	-	-	-	-
October 21, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-
October 21, 2010	3 Months	100,000	50,000	-	150,000	-	-	-	-	-
October 21, 2010	3 Months	237,500	30,000	-	267,500	-	-	-	-	-
October 21, 2010	3 Months	150,000	-	-	150,000	-	-	-	-	-
November 4, 2010	3 Months	375,000	-	-	375,000	-	-	-	-	-
November 4, 2010	3 Months	50,000	-	-	50,000	-	-	-	-	-
November 4, 2010	3 Months	30,000	-	-	30,000	-	-	-	-	-
November 4, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-
November 4, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-
November 4, 2010	3 Months	38,000	-	-	38,000	-	-	-	-	-
November 4, 2010	3 Months	42,000	-	-	42,000	-	-	-	-	-
November 16, 2010	3 Months	95,000	30,000	-	125,000	-	-	-	-	-
November 16, 2010	3 Months	50,000	-	-	50,000	-	-	-	-	-
November 16, 2010	3 Months	300,000	-	-	300,000	-	-	-	-	-
November 16, 2010	3 Months	10,000	-	-	10,000	-	-	-	-	-
November 16, 2010	3 Months	425,000	-	-	425,000	-	-	-	-	-
November 16, 2010	3 Months	55,000	-	-	55,000	-	-	-	-	-
December 2, 2010	3 Months	275,000	250,000	-	525,000	-	-	-	-	-
December 2, 2010	3 Months	50,000	50,000	-	100,000	-	-	-	-	-
December 2, 2010	3 Months	35,000	-	-	35,000	-	-	-	-	-
December 2, 2010	3 Months	30,000	-	-	30,000	-	-	-	-	-
December 18, 2010	3 Months	30,000	30,000	-	60,000	-	-	-	-	-
December 18, 2010	3 Months	100,000	60,000	-	160,000	-	-	-	-	-
December 2, 2010	3 Months	180,000	-	-	180,000	-	-	-	-	-
December 2, 2010	3 Months	85,000	-	-	85,000	-	-	-	-	-
December 2, 2010	3 Months	200,000	-	-	200,000	-	-	-	-	-
December 2, 2010	3 Months	150,000	-	-	150,000	-	-	-	-	-
December 2, 2010	3 Months	98,000	-	-	98,000	-	-	-	-	-
December 30, 2011	3 Months	100,000	-	-	100,000	-	-	-	-	-
December 30, 2011	3 Months	100,000	-	-	100,000	-	-	-	-	-
December 30, 2011	3 Months	325,000	-	-	325,000	-	-	-	-	-
December 30, 2011	3 Months	100,000	-	-	100,000	-	-	-	-	-
December 30, 2011	3 Months	335,000	-	-	335,000	-	-	-	-	-
January 13, 2011	3 Months	50,000	35,000	-	85,000	14,968	14,967	(1)	0.63	0.63
January 13, 2011	3 Months	100,000	-	-	100,000	99,789	99,779	(10)	4.18	4.18
January 13, 2011	3 Months	230,000	70,000	-	300,000	159,662	159,646	(16)	6.68	6.70
January 13, 2011	3 Months	55,000	45,000	-	100,000	9,978	9,978	-	0.42	0.42
January 27, 2011	3 Months	325,000	-	-	325,000	322,640	322,645	5	13.50	13.53
January 27, 2011	3 Months	75,000	15,000	-	90,000	59,566	59,565	(1)	2.49	2.50
February 10, 2011	3 Months	375,000	-	-	375,000	370,416	370,411	(5)	15.50	15.54
February 10, 2011	3 Months	50,000	-	-	50,000	49,389	49,388	(1)	2.07	2.07
February 24, 2011	3 Months	375,000	-	-	375,000	368,572	368,554	(18)	15.42	15.46
February 24, 2011	3 Months	125,000	5,000	-	130,000	117,936	117,937	1	4.94	4.95
February 24, 2011	3 Months	170,000	5,000	-	175,000	162,171	162,163	(8)	6.79	6.80
March 24, 2011	3 Months	375,000	-	-	375,000	364,957	364,917	(40)	15.27	15.30
						<b>2,384,440</b>	<b>2,384,319</b>	<b>(121)</b>		

(Un-audited) (Audited)  
March 31, June 30,  
2011 2010

**4.2 Net unrealised diminution in market value of investments classified as 'at fair value through profit or loss'**

----- Rupees in '000 -----

Market value of investments	2,384,319	1,989,521
Cost of investments	(2,384,440)	(1,989,930)
	(121)	(409)
Net unrealised diminution in value of investments at beginning of the period	(409)	(37)
Less: Realised on disposal/ matured during the period - net	409	37
	-	-
	(121)	(409)

**5 TAXATION**

No provision for taxation has been made as the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001, subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Management Company, on behalf of the Fund, intends to distribute at least 90 percent of such accounting income relating to the year ending June 30, 2011 to its unit holders. Accordingly, no tax liability has been recorded in the current period.

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.

## 6 CONTINGENCIES AND COMMITMENTS

Through 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. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its member filed a constitutional petition in the High Court of Sindh (SHC) praying it to declare that the Funds are not establishments and as a result are not liable to pay contribution to the WWF. The honourable court has rejected the petition on technical grounds stating that MUFAP is not the aggrieved party in this case and required the aggrieved parties to approach the courts for the said petition. In response a petition has been filed with the SHC by some of Mutual Funds through their Trustees alongwith few investors. However, subsequent to filing of the petition, the ministry of Labour and Manpower (the Ministry) issued a letter which states that mutual Funds are not liable for WWF. Further, in a subsequent letter dated July 15, 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971. However, the income of Mutual Fund(s), the product being sold, is exempted under the law *ibid*."

There have been instances whereby show cause notices under section 221 of the Income Tax Ordinance, 2001 have been issued to a number of mutual funds for the recovery of WWF. On December 14, 2010, the Ministry filed its response contesting the said petition. SHC has concluded its hearing and judgement has been reserved.

Based on the advice of the legal council handling the case, the Management Company is of the view that notwithstanding the show cause notices issued to a number of mutual funds, WWF is not applicable to the Funds due to the clarification issued by the Ministry which creates vested right, hence provision has not been made in respect of WWF, which, if liable, would amount to Re 0.1770 per unit.

There were no other contingencies and commitments outstanding as at March 31, 2011.

## 7 INTERIM DISTRIBUTIONS

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

Date	Rate Per Unit Re	Bonus *		Cash Distribution** Rupees in '000	Total
		Units	Amount		
July 25, 2010	0.3500	350,391	17,527	701	18,228
August 25, 2010	0.4200	412,974	20,671	842	21,513
September 25, 2010	0.4200	416,549	20,870	841	21,711
October 25, 2010	0.4200	459,762	23,056	842	23,898
November 25, 2010	0.4200	429,746	21,577	842	22,419
December 26, 2010	0.4200	412,875	20,745	925	21,670
January 25, 2010	0.4200	479,602	24,133	925	25,058
February 25, 2010	0.4200	486,712	24,535	925	25,460
March 25, 2010	0.4200	445,311	22,464	926	23,390
	<u>3.7100</u>	<u>3,893,922</u>	<u>195,578</u>	<u>7,769</u>	<u>203,347</u>

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

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

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



## 8 TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include Arif Habib Investments Limited (AHI) being the Management Company (AMC), Arif Habib Corporation (Formerly: Arif Habib Securities Limited) being the holding company of AHI, Arif Habib Limited, Thatta Cement Limited being companies under common control, Summit Bank Limited (Formerly: Arif Habib Bank Limited) and Pak Arab Fertilizer Limited being companies under common directorship and Habib Metropolitan Bank Limited being the Trustee, other collective investment schemes managed by the Management Company and directors and officers of the Management Company.

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

Performance fee payable to Management Company is determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

### 8.1 Details of the transactions with the connected persons are as follows:

	Nine months ended		Quarter ended	
	March 31 2011	2010	March 31 2011	2010
	----- Rupees in '000 -----			
<b>Management Company</b>				
Performance fee for the period	<u>25,426</u>	<u>10,397</u>	<u>9,406</u>	<u>5,339</u>
Issue of 1,446,754 units (2010: 6,300,252 units) and 1,446,754 units (2010: 1,289,917 units) for the nine months and quarter respectively	<u>73,000</u>	<u>316,705</u>	<u>73,000</u>	<u>65,048</u>
Redemption of NIL units (2010: 7,919,865 units) and NIL units (2010: 1,523,327 units) for the nine months and quarter respectively	<u>-</u>	<u>398,521</u>	<u>-</u>	<u>76,818</u>
Issue of 35,129 bonus units (2010: 135,792 units) and 35,129 bonus units (2010: 28,427 units) for the nine months and quarter respectively	<u>1,770</u>	<u>6,806</u>	<u>1,770</u>	<u>1,427</u>
<b>Habib Metropolitan Bank Limited - Trustee</b>				
Profit on bank deposits	<u>3,084</u>	<u>2,321</u>	<u>810</u>	<u>520</u>
<b>Directors / officers and employees of the management company</b>				
Issue of 237,535 units (2010: 2,109,968 units) and 95,446 units (2010: 2,025,804 units) for the nine months and quarter respectively	<u>11,970</u>	<u>106,403</u>	<u>4,820</u>	<u>102,159</u>
Redemption of 166,492 units (2010: 126,517 units) and 83,519 units (2010: 51,834 units) for the nine months and quarter respectively	<u>8,404</u>	<u>6,366</u>	<u>4,224</u>	<u>2,611</u>
Issue of 6,005 bonus units (2010: 84,529 units) and 3,139 units (2010: 81,704 units) for the nine months and quarter respectively	<u>302</u>	<u>4,243</u>	<u>158</u>	<u>4,101</u>

<b>Balances outstanding as at period end</b>	<b>(Un-audited)</b>	<b>(Audited)</b>
	<b>March 31,</b>	<b>June 30,</b>
	<b>2011</b>	<b>2010</b>
	<b>(Rupees in '000)</b>	
<b>Management Company</b>		
Performance fee payable	<u>3,330</u>	<u>2,180</u>
Payable in respect of preliminary expenses & floatation cost	<u>600</u>	<u>800</u>
Unit held 1,481,883 ( 2010: Nil units)	<u>74,869</u>	<u>-</u>
Receivable from management company	<u>48</u>	<u>-</u>
<b>Habib Metropolitan Bank Limited - Trustee</b>		
Bank balance at the end of the period / year	<u>2,838</u>	<u>74,650</u>
Profit receivable on bank deposits	<u>99</u>	<u>-</u>
<b>Amounts due on account of Conversion / Transfer of units</b>		
(Payable to) / Receivable from Pakistan Income Enhancement Fund	<u>-</u>	<u>(957)</u>
<b>Directors / officers and employees of the management company</b>		
Units held 131,066 units (2010: 34,129 units)	<u>6,591</u>	<u>1,730</u>

## 9 CORRESPONDING FIGURES

Corresponding figures have been rearranged and reclassified wherever necessary, for the purpose of comparison. No significant changes to corresponding figures have been made during the period.

## 10 DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 23, 2011 by the Board of Directors of the Management Company.

## 11 GENERAL

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

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

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

\_\_\_\_\_  
Director

