

**PAKISTAN  
CASH  
MANAGEMENT  
FUND**



**BRANCHES:**

**Lahore:**

Contact Person: Mr. Tanweer Ahmad Haral  
16, Block-A, Hali Road, Gulberg II, Lahore.  
Tel: (+92-42) 35714958, 35714959  
Fax: (+92-42) 35714957  
E-mail: lhr.mkt@arifhabib.com.pk

**Rawalpindi:**

Contact Person: Mr. Zahiruddin Khan  
60-A, Canning Road, Rawalpindi-46000.  
Tel: (+92-51) 111-468-378 (111-INVEST), 5564093  
E-mail: rwp.mkt@arifhabib.com.pk

**Islamabad:**

Contact Person: Mr. Nadeem Ishtiaq  
15 Beverly Centre, 2nd Floor,  
Blue Area, Jinnah Avenue, Islamabad.  
Tel: (+92-51) 2875939-2814189  
Fax: (+92-51) 2814199  
E-mail: isl.mkt@arifhabib.com.pk

**Multan:**

Contact Person: Syed Nawazish Ali Zaidi  
143-144, Mall Plaza, Multan Cantt., Multan.  
Tel: (+92-61) 111-468-378 (111-INVEST), 4546235, 6014125  
Fax: (+92-61) 4546235  
E-mail: mul.mkt@arifhabib.com.pk

**Peshawar:**

Contact Person: Mr. Iltifatullah Khan  
1st Floor, State Life Building, 34 The Mall, Peshawar.  
Tel: (+92-91) 111-468-378 (111-INVEST), 5287696  
Fax: (+92-91) 5287697  
E-mail: psw.mkt@arifhabib.com.pk



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## FUNDS' INFORMATION

### Management Company

Arif Habib Investments Limited  
Arif Habib Centre, 23 M. T. Khan Road,  
Karachi -74000.

### Board of Directors of the Management Company

Mr. Muhammad Shafi Malik	Chairman
Mr. Nasim Beg	Chief Executive
Mr. Muhammad Akmal Jameel	Director
Mr. Sirajuddin Cassim	Director
Mr. Muhammad Kashif Habib	Director
Mr. S. Gulrez Yazdani	Director
Syed Ajaz Ahmed	Director

### Company Secretary & CFO of the Management Company

Mr. Zeeshan

### Audit Committee

Mr. Muhammad Shafi Malik	Chairman
Mr. Muhammad Akmal Jameel	Member
Mr. Muhammad Kashif Habib	Member
Syed Ajaz Ahmed	Member

### Trustee

Habib Metropolitan Bank Limited  
7<sup>th</sup> Floor, HBZ Plaza,  
I.I.Chundrigar Road, Karachi.

### Bankers

Habib Metropolitan Bank Limited  
Bank Alfalah Limited  
Standard Chartered Bank (Pakistan) Limited

### Auditors

A. F. Ferguson & Co. - Chartered Accountants  
State Life Building No. 1-C,  
I. I. Chundrigar Road, Karachi-74000

### Legal Adviser

Bawany & Partners  
404, 4th Floor, Beaumont Plaza,  
Beaumont Road, Civil Lines, Karachi-75530

### Registrar

Gangjees Registrar Services (Pvt.) Limited.  
Room No. 516, 5th Floor, Clifton Centre,  
Kehkashan, Clifton, Karachi.

### Distributor

Habib Metropolitan Bank Limited

### Rating

PACRA: AAA(f) Stability Rating  
PACRA: AM2 (Positive Outlook) - Management Quality Rating assigned to Management Company



**REPORT OF THE DIRECTORS OF MANAGEMENT COMPANY  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

The Board of Directors of Arif Habib Investments Limited, the Management Company of the Pakistan Cash Management Fund (PCF), is pleased to present its report together with condensed Interim Financial Statements for the quarter ended September 30, 2010.

**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**

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 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 current bank deposits. PCF is a long only fund and cannot undertake leveraged investments. The Board has approved the categorization of the Fund as "Money Market Scheme".

**Fund Performance during for the Quarter Ended September 30, 2010**

The net assets of the Fund as at September 30, 2010 stood at Rs 2,294.971 million compared to Rs 2,061.964 million at June 30, 2010 registering an increase of 11.30%.

The Net Asset Value (NAV) per unit as at September 30, 2010 stood at Rs 50.1795 per unit as compared to opening Ex-NAV of Rs 50.0035 per unit, registering an increase of Re 1.3660. During the period, total interim distribution amounted to Rs 1.1900 per unit (2.38% on the opening Ex-NAV).

**Income Distribution**

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

Date of Distribution	Interim payouts during the Year	
	(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	0.4200	0.84% of Ex-NAV of August 25, 2010
<b>Total</b>	<b>1.1900</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 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

October 25, 2010  
Karachi

**Nasim Beg**  
Chief Executive



## REPORT OF THE FUND MANAGER FOR THE QUARTER ENDED SEPTEMBER 30, 2010

### Objective

The objective of the Fund is to deliver regular income, preservation of capital and high level of liquidity by investing in short dated government securities.

### 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 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 and cannot undertake leveraged investments. Under the NBFC Rules, it is only allowed to borrow up to 15% of net assets for up to 90 days to meet redemption needs.

### Fund Performance

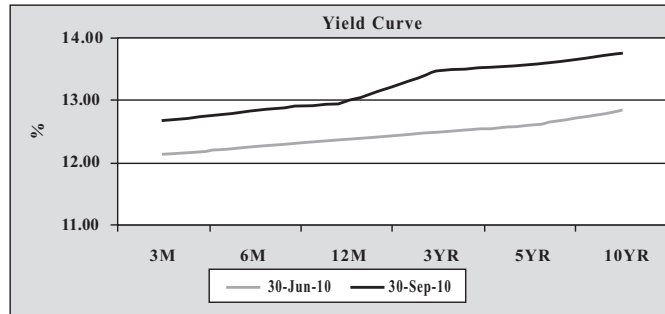
PCF delivered an annualized return of 10.94% during the quarter ended September 30, 2010, compared to its benchmark (3-month T-bill) return of 11.64%. Industry average return of Cash and Money Market Fund category was 10.39% during the period ended September 30, 2010. PCF remained the highest return generating Money Market Fund in the industry during this period. The average duration of its portfolio was 23 days at the end of the period.

The funds under management witnessed a growth of 11.30% to Rs. 2.29 billion compared to Rs. 2.06 billion on June 30, 2010. The Fund declared its 3<sup>rd</sup> monthly dividend of Re. 0.42 taking the tally to Rs. 1.19 for the 1<sup>st</sup> quarter Fy11 with the cumulative dividend yield of 9.98%.

At the quarter ended September 30, 2010, PCF was 95.76% invested in short maturity T-bills, followed by 4.24% in bank deposits.

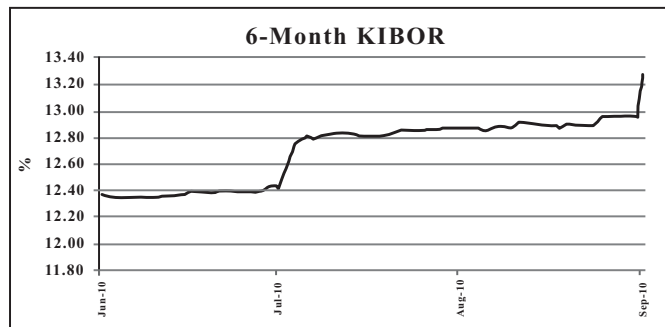
### Market Review

During the first quarter of FY 2011, SBP increased the discount rate twice (July and September) by 50 bps each to 13.5% as inflation started creeping up again along with higher government borrowings due to fiscal pressure. As a result, interest rates moved up across all tenors, with the yields on 3 month, 1-year and 10 years instruments increasing by 55 bps, 59 bps and 91 bps to 12.68%, 12.97% and 13.75% respectively.



Total domestic government borrowing from banks and non-banks during quarter ended September, 2010 stood at Rs. 133.0 billion approximately. Total T-bills worth Rs. 462.0 billion was accepted against a target of Rs. 535.0 billion set by the Central Bank amid T-Bills maturity of Rs. 500 billion during this period. Major participation was noted in 3-month tenor as the participants were expecting an increase in interest rates during most of the quarter. On the other hand, PIB auctions were rejected twice due to participation at high yields in wake of inflationary pressures and uncertainty over Monetary Policy Statement (MPS).

The benchmark 6-month KIBOR also increased by 90bps to 13.27% MoM (from previous closing at 12.37%), after increase in policy rate and adequate liquidity management by SBP.



**Future Outlook**

The restrictive investment policy of PCF has a positive impact on its returns and volatility. The Fund has been insulated against interest rate movements due to its low duration and high liquidity. The Fund will continue to deliver stable returns in the next quarter despite increase in overall interest rates.



**CONDENSED INTERIM STATEMENT OF ASSETS AND LIABILITIES  
AS AT SEPTEMBER 30, 2010**

	<b>Unaudited September 30, 2010</b>	<b>Audited June 30, 2010</b>
	<i>Note</i>	<b>(Rupees in '000)</b>
<b>Assets</b>		
Bank balances	100,353	74,872
Receivable against sale of units	770	1,100
Profit receivable	213	2
Investments	5 2,197,672	1,989,521
Other receivables	12	-
Preliminary expenses and floatation costs	493	544
<b>Total assets</b>	<b>2,299,513</b>	<b>2,066,039</b>
<b>Liabilities</b>		
Payable to Management Company	3,171	2,980
Accrued expenses and other liabilities	1,371	1,095
<b>Total liabilities</b>	<b>4,542</b>	<b>4,075</b>
<b>Net assets</b>	<b>2,294,971</b>	<b>2,061,964</b>
<b>Unit holders' fund (as per statement attached)</b>	<b>2,294,971</b>	<b>2,061,964</b>
	<b>(Number of Units)</b>	
<b>Number of units in issue</b>	<b>45,735,264</b>	<b>40,675,146</b>
	<b>(Rupees)</b>	
<b>Net Asset Value per unit</b>	<b>50.1795</b>	<b>50.6935</b>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM INCOME STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	<i>Note</i>	<b>2010</b>	2009
<b>(Rupees in '000)</b>			
<b>Income</b>			
Capital gain / (loss) on sale of investments		<b>98</b>	(114)
Income from reverse repurchase transactions		<b>197</b>	988
Income from government securities		<b>75,744</b>	16,266
Profit on bank deposits		<b>598</b>	1,624
Other income		<b>-</b>	4
Unrealised diminution in value of investments - net	5.2	<b>(68)</b>	(236)
<b>Total income</b>		<b>76,569</b>	18,532
<b>Expenses</b>			
Remuneration of Management Company		<b>7,485</b>	1,856
Securities transaction cost		<b>49</b>	74
Legal and professional charges		<b>31</b>	49
Amortisation of preliminary expenses and floatation costs		<b>51</b>	51
<b>Total expenses</b>		<b>7,616</b>	2,030
<b>Net income</b>		<b>68,953</b>	16,502
Net element of income and capital gains included in prices of units issued less those in units redeemed		<b>566</b>	442
<b>Net income for the period</b>		<b>69,519</b>	16,944
Other comprehensive income for the period		<b>-</b>	-
<b>Total comprehensive income for the period</b>		<b>69,519</b>	16,944

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM DISTRIBUTION STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	<i>Note</i>	<b>2010</b>	<b>2009</b>
<b>(Rupees in '000)</b>			
Undistributed income brought forward		<b>28,208</b>	7,731
Final distribution for the year ended June 30, 2010: Re 0.6900 per unit (Date of distribution: July 05, 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>69,519</b>	16,944
Interim distribution for the period ended September 30, 2010:			
-Bonus	6	<b>(59,068)</b>	(13,532)
-Cash distribution		<b>(2,384)</b>	(411)
		<b>(19,998)</b>	(4,722)
Undistributed income carried forward		<b><u>8,210</u></b>	<b><u>3,009</u></b>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM STATEMENT OF MOVEMENT  
IN UNITHOLDERS' FUNDS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	<i>Note</i>	<b>2010</b>	2009
<b>(Rupees in '000)</b>			
Net assets at the beginning of the period		<b>2,061,964</b>	579,814
Issue of 19,904,116 units ( 2009: 7,649,521 units)		<b>912,517</b>	384,271
Redemption of 14,843,998 units ( 2009: 5,049,365 units)		<b>(744,697)</b>	(253,848)
		<b>167,820</b>	130,423
Final distribution for the year ended June 30, 2010: Re 0.6900 per unit (date of distribution: July 05, 2010) (2009: Re 0.6750 per unit)		<b>(26,683)</b>	(7,056)
-Bonus			
-Cash distribution		<b>(1,382)</b>	(667)
Element of income and capital gains included in prices of units issued less those in units repurchased		<b>(566)</b>	(442)
Capital gain/(loss) on sale of investments		<b>98</b>	(114)
Net unrealised diminution on investments -net		<b>(68)</b>	(236)
Other net income for the period		<b>69,489</b>	17,294
Interim distribution for the period ended September 30, 2010:			
-Bonus	6	<b>(59,068)</b>	(13,532)
-Cash distribution		<b>(2,384)</b>	(411)
		<b>(19,998)</b>	3,001
Final Bonus distribution for the year ended June 30, 2010: Re 0.6900 per unit (Date of distribution: July 05, 2010)		<b>26,683</b>	7,056
Interim Bonus distribution for the period ended September 30, 2010:	6	<b>59,068</b>	13,532
Net assets as at the end of the period		<b>2,294,971</b>	725,661

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

**Chief Executive**

**Director**

**CONDENSED INTERIM CASH FLOW STATEMENT (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

	2010	2009
	(Rupees in '000)	
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net income for the period	69,519	16,944
<b>Adjustments</b>		
Unrealised diminution in value of investments-net	68	236
Element of income and capital gains included in prices of units less those in units repurchased	(566)	(442)
Amortisation of preliminary expenses and floatation costs	51	51
	<u>69,072</u>	<u>16,789</u>
<b>Decrease / ( Increase) in assets</b>		
Receivable against sale of units	330	(59,131)
Profit receivable	(211)	1,439
Investments	(208,219)	(58,298)
Receivable against reverse repurchase transactions	-	(55,242)
Other receivables	(13)	406
	<u>(208,113)</u>	<u>(170,826)</u>
<b>Increase / (Decrease) in liabilities</b>		
Payable to Management Company	191	(727)
Accrued expenses and other liabilities	276	490
	<u>467</u>	<u>(237)</u>
<b>Net cash used in operating activities</b>	<u>(138,573)</u>	<u>(154,274)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Net receipts from sale and repurchase of units	167,820	130,423
Dividend paid	(3,766)	(1,078)
Net increase / (decrease) in cash and cash equivalents during the period	<u>25,481</u>	<u>(24,929)</u>
Cash and cash equivalents at beginning of the period	74,872	50,895
Cash and cash equivalents at end of the period	<u>100,353</u>	<u>25,966</u>

The annexed notes 1 to 10 form an integral part of these condensed interim financial statements.

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

Chief Executive

Director



**NOTES TO AND FORMING PART OF THE CONDENSED INTERIM  
FINANCIAL STATEMENTS (UNAUDITED)  
FOR THE QUARTER ENDED SEPTEMBER 30, 2010**

**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 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 Arif Habib Centre, 23 M.T. Khan Road, Karachi, Pakistan.

PCF is an open-ended mutual fund and is listed on 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 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 (positive outlook) 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.

**2. BASIS OF PRESENTATION**

These un-audited 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 (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 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 NBFC Regulations or directives issued by the SECP differ with the requirements of IFRS, the requirements of the NBFC Regulations or the directives issued by the SECP prevail. These financial statements are presented in condensed form in accordance with International Accounting Standard, 34 "Interim Financial Reporting". These do not include all the information required for full annual financial statements, and should be read in conjunction with the financial statements of the Fund as at and for the year ended June 30, 2010.

**3. ACCOUNTING POLICIES**

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

**4. RISK MANAGEMENT**

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

<b>5. INVESTMENTS</b>	<b>Unaudited September 30, 2010</b>	<b>Audited June 30, 2010</b>
	<b>(Rupees in '000)</b>	
In government securities at fair value through profit or loss	5.1 <b>2,197,672</b>	1,989,521
	<b><u>2,197,672</u></b>	<b><u>1,989,521</u></b>

**5.1 Investment in Government Securities**

Issue date	Tenor	Face value				Quantity as at September 30, 2010	Cost as at September 30, 2010	Fair value as at September 30, 2010	Appreciation / (diminution)	Fair value as percentage of net assets	Fair value as percentage of total investment
		As at July 01, 2010	Purchased during the period	Sold during the period	Matured during the period						
(Rupees in '000)											
April 22, 2010	3 Months	150,000	-	-	150,000	-	-	-	-	-	
April 22, 2010	3 Months	100,000	-	25,000	75,000	-	-	-	-	-	
April 22, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-	
April 22, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-	
January 14, 2010	6 Months	100,000	-	-	100,000	-	-	-	-	-	
April 22, 2010	3 Months	10,000	-	-	10,000	-	-	-	-	-	
May 08, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-	
May 20, 2010	3 Months	75,000	-	25,000	50,000	-	-	-	-	-	
May 20, 2010	3 Months	150,000	-	150,000	-	-	-	-	-	-	
May 20, 2010	3 Months	170,000	-	150,000	20,000	-	-	-	-	-	
May 20, 2010	3 Months	100,000	-	-	100,000	-	-	-	-	-	
Feb 11, 2010	6 Months	125,000	-	25,000	100,000	-	-	-	-	-	
May 20, 2010	3 Months	30,000	-	-	30,000	-	-	-	-	-	
April 22, 2010	3 Months	133,000	-	-	133,000	-	-	-	-	-	
August 10, 2009	1 Year	50,000	-	40,000	10,000	-	-	-	-	-	
June 03, 2010	3 Months	225,000	-	40,000	185,000	-	-	-	-	-	
June 17, 2010	3 Months	225,000	-	25,000	200,000	-	-	-	-	-	
April 22, 2010	3 Months	50,000	-	-	50,000	-	-	-	-	-	
February 25, 2010	6 Months	10,000	-	-	10,000	-	-	-	-	-	
June 3, 2010	3 Months	10,000	-	-	10,000	-	-	-	-	-	
July 2, 2010	3 Months	-	74,000	-	74,000	-	-	-	-	-	
February 1, 2010	6 Months	-	150,000	75,000	75,000	-	-	-	-	-	
May 20, 2010	3 Months	-	300,000	-	300,000	-	-	-	-	-	
May 6, 2010	3 Months	-	145,000	-	145,000	-	-	-	-	-	
June 17, 2010	3 Months	-	85,000	-	85,000	-	-	-	-	-	
August 13, 2010	3 Months	-	310,000	310,000	-	-	-	-	-	-	
August 27, 2010	3 Months	-	25,000	-	25,000	-	-	-	-	-	
June 17, 2010	3 Months	-	25,000	-	25,000	-	-	-	-	-	
July 15, 2010	3 Months	-	355,000	-	355,000	1	354,313	354,324	12	15.4	
July 15, 2010	3 Months	-	250,000	65,000	185,000	1	184,642	184,648	6	8.0	
July 15, 2010	3 Months	-	20,000	-	20,000	1	19,961	19,962	1	0.9	
July 15, 2010	3 Months	-	200,000	-	200,000	1	199,599	199,619	20	8.7	
July 15, 2010	3 Months	-	35,000	-	35,000	1	34,929	34,933	4	1.5	
July 28, 2010	3 Months	-	210,000	-	210,000	1	208,645	208,605	(40)	9.1	
July 28, 2010	3 Months	-	300,000	-	300,000	1	298,071	298,008	(64)	13.0	
July 28, 2010	3 Months	-	100,000	-	100,000	1	99,355	99,336	(19)	4.3	
July 28, 2010	3 Months	-	100,000	-	100,000	1	99,354	99,336	(18)	4.3	
August 13, 2010	3 Months	-	225,000	90,000	135,000	1	133,457	133,430	(27)	5.8	
August 13, 2010	3 Months	-	115,000	-	115,000	1	113,681	113,663	(18)	5.0	
August 13, 2010	3 Months	-	45,000	-	45,000	1	44,494	44,477	(17)	1.9	
August 26, 2010	3 Months	-	187,500	-	187,500	1	184,500	184,437	(63)	8.0	
August 26, 2010	3 Months	-	40,000	-	40,000	1	39,360	39,346	(14)	1.7	
September 9, 2010	3 Months	-	187,500	-	187,500	1	183,611	183,547	(64)	8.0	
							<b>2,197,972</b>	<b>2,197,672</b>	<b>(301)</b>		

	<b>Unaudited September 30, 2010</b>	<b>Audited June 30, 2010</b>
<b>5.2 Net unrealised (diminution) / appreciation in the value of investments - net</b>	<b>(Rupees in '000)</b>	
Fair value of investment	2,197,672	1,989,521
Less: Cost of investment	<u>(2,197,972)</u>	<u>(1,989,930)</u>
	<b>(301)</b>	<b>(409)</b>
Net unrealised diminution / (appreciation) in value of investments at the beginning of the period / year	<u>409</u>	<u>(37)</u>
Less: Realised on disposal during the period / year	<u>(176)</u>	<u>37</u>
	233.00	-
	<u><b>(68)</b></u>	<u><b>(409)</b></u>

#### 6. INTERIM DISTRIBUTIONS

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

Date	Rate	Bonus *		Cash Distribution **	Total
		Units	Amount		
------(Rupees in '000)-----					
July 25, 2010	Re. 0.3500 per unit	350,391	17,527	701	18,228
August 25, 2010	Re. 0.4200 per unit	412,974	20,671	842	21,513
September 25, 2010	Re. 0.4200 per unit	416,549	20,870	841	21,711
		<u><b>1,179,914</b></u>	<u><b>59,068</b></u>	<u><b>2,384</b></u>	<u><b>61,452</b></u>

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

\*\* Cash dividend have been distributed to unit holder under plan B

As per clause 12 of Trust Deed and clause 6 of Part VI of Offering Document, the Fund on 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.



**7. TRANSACTIONS WITH CONNECTED PERSONS**

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

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.

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

**Transactions with connected persons/related parties**

	<b>Unaudited</b>	
	<b>September 30,</b>	<b>September 30,</b>
	<b>2010</b>	<b>2009</b>
	<b>(Rupees in '000)</b>	
<b>Arif Habib Investments Limited</b>		
Performance fee for the period	<u>7,485</u>	<u>1,856</u>
Investment in the Fund nil (2009: 915,566 units)	<u>-</u>	<u>45,961</u>
Redemption from the Fund nil (2009: 517,125 units)	<u>-</u>	<u>26,000</u>
Bonus units distributed nil (2009: 59,014 units)	<u>-</u>	<u>2,955</u>
<b>Habib Metropolitan Bank Limited - Trustee</b>		
Mark-up for the period	<u>594</u>	<u>463</u>
<b>Directors, Officers and employees of the Management Company</b>		
Investment in the Fund 21,888 units (2009: 22,312)	<u>1,100</u>	<u>1,121</u>
Redemption from the Fund 14,836 units (2009: 31,681)	<u>63</u>	<u>1,591</u>
Bonus units distributed 1,259 units (2009: 1,451 units)	<u>747</u>	<u>73</u>
<b>Balances with connected persons</b>		
	<b>Unaudited</b>	<b>Audited</b>
	<b>September 30,</b>	<b>June 30,</b>
	<b>2010</b>	<b>2010</b>
	<b>(Rupees in '000)</b>	
<b>Arif Habib Investments Limited</b>		
Performance fee payable	<u>2,571</u>	<u>2,180</u>
Payable in respect of preliminary expenses & floatation cost	<u>600</u>	<u>800</u>
<b>Habib Metropolitan Bank Limited - Trustee</b>		
Bank Balance	<u>96,973</u>	<u>74,650</u>
Profit receivable on bank deposits	<u>210</u>	<u>-</u>
<b>Directors, Officers and employees of the Management Company</b>		
Units held 42,439 units (June 30, 2010: 34,129 units)	<u>2,129</u>	<u>1,730</u>

**8. CONTRIBUTION TO WORKER 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. The Mutual Funds Association of Pakistan (MUFAP), on behalf of its members 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 honorable 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 along with few investors. However, subsequent to filing of the petition, the Ministry of Labour and Manpower issued a letter which states that mutual funds are not liable for WWF.

The MUFAP, on behalf of its member AMCs, obtained legal opinions from couple of renowned law firms to assess the implications of the letter issued by the Ministry of Labour and Manpower. The legal opinions, among other things, stated that mutual funds are not required to provide for contribution to WWF and earlier provisioning, if any, can be reversed and the terms of the letters suggest that provisioning was neither required nor necessary. Further, the opinions suggest that the petition filed with the High Court of Sindh be withdrawn.

The management has not made any provision in respect of WWF based on the letter issued by Ministry of Labour and Manpower, that mutual funds are not establishments and as a result are not liable to pay contribution to WWF.

**9. DATE OF AUTHORISATION FOR ISSUE**

These condensed interim financial statements were authorised for issue by the Board of Directors of the Management Company on October 25, 2010.

**10. GENERAL**

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

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

**Chief Executive**

**Director**



**HEAD OFFICE:**

Arif Habib Centre, 23 M.T. Khan Road,  
Karachi-74000, Pakistan.

Tel: (+92-21) 111-468-378 (111-INVEST)

Fax: (+92-21) 32470351, 32470337

E-mail: [marketing@arifhabib.com.pk](mailto:marketing@arifhabib.com.pk)

Website: [www.arifhabib.com.pk](http://www.arifhabib.com.pk)