

MCB CASH MANAGEMENT OPTIMIZER CONTENTS

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MCB CASH MANAGEMENT OPTIMIZER 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	Chairman(subject to the approval of SECP)
Mr. Nasim Beg	Executive Vice Chairman
Mr. Yasir Qadri	Chief Executive (subject to the approval of SECP)
Syed Salman Ali Shah	Director (subject to the approval of SECP)
Mr. Haroun Rashid	Director (subject to the approval of SECP)
Mr. Ahmed Jahangir	Director (subject to the approval of SECP)
Mr. Samad A. Habib	Director
Mr. Mirza Mahmood Ahmad	Director (subject to the approval of SECP)

Company Secretary & CFO of the Management Company

Mr. Muhammad Saqib Saleem

Audit Committee

Mr. Nasim Beg
Mr. Haroun Rashid
Mr. Samad A. Habib
Mr. Ali Munir

Trustee

Central Depository Company of Pakistan Limited
CDC House, 990B, Block 'B', S.M.C.H.S,
Main Shahrah-e-Faisal, Karachi-74400

Bankers

MCB Bank Limited
Standard Chartered Bank (Pakistan) Limited
Bank Alfalah Limited
Faysal Bank Limited
United Bank Limited
Allied Bank Limited
National Bank of Pakistan
Habib Bank Limited
Habib Metropolitan Bank 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 Agent

Arif Habib Investments Limited
8th Floor, Techno City Corporate Tower,
Hasrat Mohani Road, Karachi.

Rating

AM2 (Positive Outlook) –
Management Quality Rating assigned by PACRA

MCB CASH MANAGEMENT OPTIMIZER REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

The Board of Directors of Arif Habib Investments Limited, the Management Company of MCB Cash Management Optimizer (CMOP), is pleased to present the Annual Report on the affairs of cmop for the year ending 30th June, 2011.

Economy and Money Market Overview

Despite continued macro-economic challenges throughout the period, the year under review (July '10-June '11) was not as turbulent as it was expected to be due to concerns over payments from foreign donor agencies and devastation caused by floods throughout the country. Record-high levels of remittances and cotton prices saved the day and kept external account position under control.

During the year, exports rose to US\$ 25.4 billion, 29% higher on a YoY basis, reducing the trade deficit to around US\$ 10.3 billion, 11% lower YoY. In addition to contained trade deficit, record-high level of workers' remittances flow has taken the current account balance to a surplus of US\$ 437 million, for the first time after FY04. Despite meager financial account flows, country's balance of payment position improved significantly during the year by around US\$ 2.5 billion - taking the FX reserves to a record level of US\$ 18.2 billion, consequently keeping PKR-USD exchange rate largely stable during the year.

Post-flood, inflationary pressures have risen significantly amidst supply-side issues as well as phasing out of power subsidies, CPI inflation averaged higher at around 14.6% during 1H FY11. Due to relatively lower food inflation as well as no major electricity pass-through during the latter half, CPI inflation averaged at a lower level of 13.3% - taking the average FY11 inflation to 13.9%. Real economy, however, did not have much to show with Real GDP growth stood at a paltry 2.4%, much lower than the target. Loss in agriculture produce because of floods caused a major dent towards country's economic growth during the period under review. Services sector, however, was able to provide some support with a growth of 4.1%, bringing the overall GDP growth to 2.4%.

Fiscal indiscipline has remained a cause of concern for the economic managers as the country is expected to witness yet again a deficit of over 6% of the GDP during FY11. Even during the first 9M of the fiscal year, the country witnessed a fiscal deficit of Rs. 783 billion, 4.3% of the revised GDP. Slower growth in revenue collection 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.

Considering the volatility in the macroeconomic variables, the State Bank of Pakistan has also altered its monetary stance at least twice during the year. Citing the deteriorating macroeconomic fundamentals during the 1H FY11 mainly in the backdrop of floods, the SBP raised its policy discount rate cumulatively by 150 bps to 14.0%. However, gradual improvement towards external account through remittances and increased textile exports as well as lower levels of government borrowing from SBP has compelled the central bank to keep its policy DR unchanged for the next 3 policies during 2H FY11. Due to an overall higher interest rate environment, 1 year PKRV averaged at around 13.4% during FY11, much higher than the average 12.2% a year ago.

During FY11, key monetary indicators have also been better as compared to that of last year with money supply (M2) posting a strong growth of 15.9%. Although Net Domestic Asset (NDA) growth has been a key contributor behind M2 growth during this year as well, sizeable YoY growth of 43% in Net Foreign Assets (NFA) has been commendable - also reflecting strong BOP position.

In absence of foreign donor payments coming through, government's need to borrow continues to be a barrier in way of significant drop in interest rates or growth in credit.

Future outlook

Citing contained inflationary pressures, strong external account position and lower levels of government borrowing from SBP, the central bank decided to lower its policy discount rate by 50 bps to 13.5% in its Jul'11 monetary policy review.

We believe that the materialization of sizeable foreign inflows will continue to be the single most important variable especially in the backdrop of sustained oil prices, downward trend in cotton prices and debt repayments including IMF. Going forward, liquidity and interest rate direction will be largely dependent on the magnitude and sources of fiscal funding. In the absence of foreign flows, greater reliance will be on domestic sources - which could rebound inflation and interest rates.

Fund's Performance

During the year, the net assets of the fund grown significantly to around PKR 10.4 billion as on June 30, 2011. The investment objective of the fund is to provide investors competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity. The fund is benchmarked against average 3-month deposit rates of AA and above-rated scheduled banks, net of expenses. The fund, through active management and carefully selected trading positions was able to yield an annualized return of 11.6% during the period under review, which was significantly higher than the Fund's benchmark return of 5.6% during the same period.

The overall liquidity situation of the system remained relatively better during the fiscal year under-review. Considering the risk-return profile of government papers, the fund kept its exposure significantly higher towards government papers while maintaining decent 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.

MCB CASH MANAGEMENT OPTIMIZER REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

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

Performance Information (%)	MCB CMOP	Benchmark
Last twelve Months Return (Annualized)	11.6%	5.6%
Since Inception (CAGR)	11.3%	5.8%

During the year your fund earned net income of Rs 1.063 billion. The Board in the meeting held on 23rd June, 2011 has declared final distribution amounting to Rs.188.73 million (i.e. Rs. 1.7578 per unit).

Date of distribution	Distribution PKR / Unit
18th October, 2010	3.1651
28th January, 2011	3.1311
27th April, 2011	2.8662

During the period, units worth Rs.18.39 billion (including Rs. 270.50 million worth of bonus units) were issued and units with a value of Rs. 15.37 billion were redeemed. As on 30th June, 2011 the NAV of the Fund was Rs. 100.25 per unit.

Update on Worker's Welfare Fund

The amendments made through Finance Act, 2008 to the Workers' Welfare Fund (WWF) Ordinance, 1971, brought Mutual Funds in embed of the said Ordinance. MUFAP on behalf CIS filed a Constitutional Petition in Sindh High Court challenging the applicability of WWF to the CIS. However, after the court order dispensing the filed petition, your Fund has recorded the entire liability and started accruing the provision on daily basis.

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.

In view of the afore mentioned developments, the Management Company after the receipt of decision made of LHC firmly believes that there is no compelling reason to make further provision on account of WWF contribution. However, as matter of abundant caution and prudence the Management Company of the Fund has decided not reverse the provision already till the decision of Honorable Sind High Court.

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 Lahore Stock Exchange.

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

- a. Financial statements present fairly the statement of affairs, the results of operations, cash flows and Change in unit holders' fund.
- b. Proper books of accounts of the Fund have been maintained during the year.
- c. Appropriate accounting policies have been consistently applied in preparation of financial statements.
Accounting estimates are based on reasonable prudent judgment.
- d. 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.

**MCB CASH MANAGEMENT OPTIMIZER
REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY
FOR THE YEAR ENDED JUNE 30, 2011**

- 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 the 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. As per note 1 of financial statements, MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011:

Before the said merger the 20th, 21st, 22nd, 23rd, 24th and 25th BoD meetings of MCB Asset Management Company Limited were held on July 1, 2010, September 7, 2010, October 18, 2010, January 28, 2011, April 27, 2011 and June 23, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

S.#	Name of persons attending the meetings	Designation	Number of Meetings			
			No. of Meeting Held	Attendance Required	Attended	Leave Granted
1.	Mian Mohammad Mansha	Chairman	6	6	5	1
2.	Mr. U.A. Usmani	Director	6	6	6	-
3.	Mr. Ali Munir	Director	6	6	6	-
4.	Mr. Ahmed Jahangir	Director	6	6	6	-
5.	Mr. Haroun Rashid	Director	6	6	3	3
6.	Mr. Syed Waliullah Shah	Director	6	6	4	2
7.	Mr. Samir Saigol	Director	6	6	6	-
8.	Mr. Ismail Arif Rafi *	Director	6	5	4	1
9.	Mr. Yasir Qadri	Chief Executive	6	6	6	-

* The above director was appointed during the year and only five meetings of the Board were held after his appointment

Pursuant to merger, The 88th BoD meeting of Arif Habib Investments Limited was held on June 27, 2011. Information in respect of attendance by Directors in the meetings is given below:

S.#	Name of persons attending the meetings	Designation	Number of Meetings			
			No. of Meeting Held	Attendance Required	Attended	Leave Granted
1.	Mr. Shafi Malik *	Former Chairman	1	1	1	-
2.	Mr. Nasim Baig **	Exe Vice Chairman	1	1	1	-
3.	Mr. Muhammad Akmal Jameel *	Former Director	1	1	1	-
4.	Mr. Muhammad Kashif *	Former Director	1	1	-	1
5.	Syed Ajaz Ahmed *	Former Director	1	1	-	1
6.	Mr. Sirajuddin Cassim *	Former Director	1	1	-	1
7.	Mr. S. Gulrez Yazdani *	Former Director	1	1	1	-
8.	Mr. Samad A. Habib	Director	1	1	1	-
9.	Mian Mohammad Mansha ***	Chairman	1	1	1	-
10.	Mr. Yasir Qadri ***	Chief Executive	1	1	1	-
11.	Syed Salman Ali Shah ***	Director	1	1	1	-
12.	Mr. Haroun Rashid ***	Director	1	1	1	-
13.	Mr. Ahmed Jahangir ***	Director	1	1	1	-
14.	Mr. Mirza Mahmood Ahmad ***	Director	1	1	1	-

* The above directors resigned in the 88th meeting held on 27th June, 2011.
 ** Mr. Nasim Beg resigned as Chief Executive on 27th June, 2011 and appointed as Executive Vice Chairman on the same date.
 *** Appointed on 27th June, 2011 and their approval of appointment from SECP is awaited.

- m. During the period under review no trades in the units of the fund were carried out by the Directors, CEO, CFO/Company Secretary and their spouses and minor children,

MCB CASH MANAGEMENT OPTIMIZER REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2011

External Auditors

The fund's external auditors, Messers A.F. Ferguson & Co., Chartered Accountants, have expressed their willingness to continue as the fund auditors for the ensuing year ending June 30, 2012. The audit committee of the Board has recommended reappointment of A.F. Ferguson & Co., Chartered Accountant as auditors of the fund for the year ending June 30, 2012.

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, Central Depository Company of Pakistan Limited (the Trustee of the Fund) and the management of the Lahore 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**

Karachi: September 20, 2011

MCB CASH MANAGEMENT OPTIMIZER REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2011

Fund Type and Category

MCB Cash Management Optimizer (MCB CMOP) is an Open-End Money Market Scheme.

Fund Benchmark

The benchmark for MCB CMOP is an average of 3 month deposit rates of AA and above rated scheduled bank for the period of return. The performance of the fund will be compared to its benchmark after deducting all the expenses which are charged to the fund.

Investment Objective

To provide unit-holders competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity. The fund achieved its objective by posting a decent return while minimizing risk.

Investment Strategy

The Fund will invest the entire net assets in authorized short term money market instruments with a maximum time to maturity of six months. This is intended to reduce risk while maintaining liquidity.

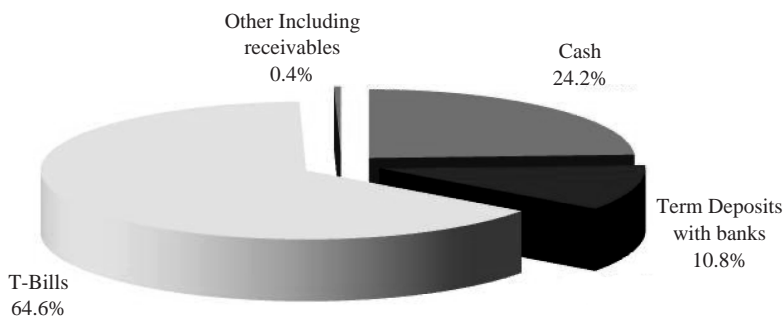
Manager's Review

During the year under review, the fund performed reasonably well and was able to generate an annualized return of 11.6% as against its benchmark return of 5.6%, a significant out-performance of 6.0%. Considering its objectives, 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 kept a significant exposure in short-end Treasury Bills while also maintaining decent allocations towards term deposits (TDRs).

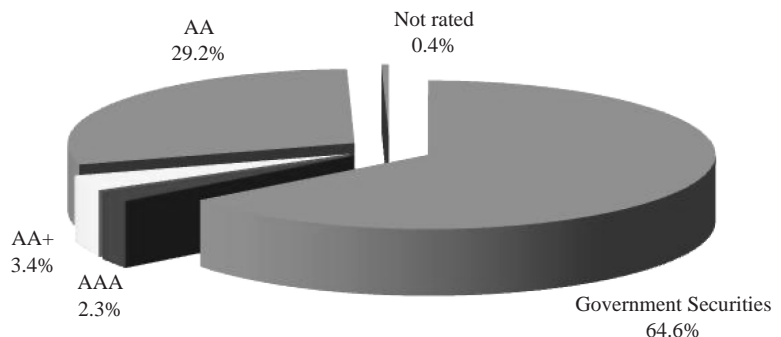
Given the volatility in the overall interest rate environment, the fund continued to alter its portfolio WAM in order to take advantage of shifts in the yield curve. Citing rising macroeconomic imbalances during the first half of the year and resultant monetary tightening by the SBP, the fund kept its WAM at lower levels of 30 - 50 days. However, the fund gradually increased its portfolio duration during the latter half given improvement in the macro outlook as well as SBP monetary stance. The fund's WAM was in the higher range of 70 to 90 days during the second half of the year under review.

Moreover, the fund's net assets have grown significantly to by PKR 3.9 billion to PKR 10.4 billion as on June 30, 2011.

Asset Allocation as on June 30, 2011 (% of total assets)



Asset Quality as on June 30, 2011(% of total assets)



Mr. Kashif Rafi
Fund Manager

Karachi: September 20, 2011

MCB CASH MANAGEMENT OPTIMIZER TRUSTEE REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

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

The MCB Cash Management Optimizer (the Fund), an open-end fund was established under a trust deed dated July 10, 2009, executed between MCB Asset Management Company Limited (MCB AMC), as the Management Company and Central Depository Company of Pakistan Limited, as the Trustee.

During the year MCB AMC merged with and into Arif Habib Investments Limited (AHIL). Based on interim relief granted by the Honorable High Court Sindh at Karachi against the order of the Securities & Exchange Commission of Pakistan regarding extension of effective date of merger vide its letter dated June 27, 2011, AHIL is continuing as the Management Company of the fund till the final resolution of the case.

In our opinion, the Management Company has in all material respects managed the Fund during the year ended June 30, 2011 in accordance with the provisions of the following:

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

Muhammad Hanif Jakhura

Chief Executive Officer

Central Depository Company of Pakistan Limited

Karachi: October 26, 2011

MCB CASH MANAGEMENT OPTIMIZER STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED JUNE 30, 2011

This statement is being presented by the Board of Directors of Arif Habib Investments Limited ("the Management Company"), the Management Company of **MCB Cash Management Optimizer** ("the Fund") to comply with the Code of Corporate Governance contained in Chapter XI Regulation No. 35 of Listing Regulations of Lahore 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.

MCB Cash Management Optimizer is an open end mutual fund and is listed at Lahore Stock Exchange. The Fund, being a unit trust scheme, does not have its own Board of Directors. The former management company, MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited) and 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 three independent non-executive directors out of a total of eight directors.
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 NBFI or, being a member of a stock exchange, has been declared as a defaulter by that stock exchange.
4. As explained in note 1.2 to the financial statements of the Fund for the year ended June 30, 2011, due to amalgamation of MCB Asset Management Company Limited with and into Arif Habib Investments Limited the Board of Directors of the former Management Company stand dissolved on June 27th, 2011. Mr. Muhammad Shafi Malik, Mr. Sirajuddin Cassim, Mr. Muhammad Akmal Jameel, Mr. Muhammad Kashif, Mr. S. Gulrez Yazdani and Syed Ajaz Ahmed, directors of Arif Habib Investments Limited (post merger Management Company of the Fund) had resigned and were replaced by Mian Mohammad Mansha, Mr. Haroun Rasheed, Mr. Ahmed Jahangir, Mr. Yasir Qadri, Dr. Salman Shah and Mr. Mirza Mehmood Ahmad, respectively, as directors of the Management Company.
5. A casual vacancy occurred in the Board in the last year which was duly filled in by the appointment of another director during the current year.
6. The Management Company has prepared a 'Statement of Ethics and Business Practices', which has been approved by the Board of Directors and signed by all the directors and employees of the Management Company.
7. The Board has developed a 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.
8. 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 (CEO) and Executive Vice Chairman has been taken by the Board. As on June 30, 2011, there are no other executive directors of the Management Company besides the Executive Vice Chairman and Chief Executive.
9. 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, except for emergency meeting for which written notice of less than seven days was served. The minutes of the meetings were appropriately recorded and circulated.
10. The related party transactions have been placed before the audit committee and approved by the Board of Directors with necessary justification for non arm's length transactions and pricing methods for transactions that were made on terms equivalent to those that prevail in the arm's length transactions only if such terms can be substantiated.
11. The Company has planned to conduct an orientation course for its directors, in the near future to appraise them of their duties and responsibilities.
12. The Board has approved appointment, remuneration and terms and conditions of the employment of Chief Financial Officer and Company Secretary and Head of Internal Audit, as determined by the Chief Executive Officer.
13. The Directors' Report of the Fund for this year has been prepared in compliance with the requirements of the Code and fully describes the salient matters required to be disclosed.
14. The Directors, CEO 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.
15. The financial statements of the Fund were duly endorsed by CEO and CFO of the Management Company before approval of the Board.
16. The Management Company has complied with all the corporate and financial reporting requirements of the Code.
17. The Board has formed an audit committee for the Management Company. It comprises of four members, out of which two are non-executive directors.
18. 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.

**MCB CASH MANAGEMENT OPTIMIZER
STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

19. The internal audit function of MCB Asset Management Company (now merged with and into Arif Habib Investments Limited) was outsourced to M/s Ford Rhodes Sidat Hyder & Co. Chartered Accountants, Karachi. However, as M/s Ford Rhodes Sidat Hyder & Co. was acting as statutory auditors of Arif Habib Investments Limited (post merger Management Company of the Fund), they had resigned on the date of amalgamation. The Management Company has an in-house effective internal audit function and the internal auditors are suitably qualified and experienced for the purpose and are well conversant with the policies and procedures of the Fund .
20. 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, that they or any of the partners of the firm, their spouses and minor children do not hold shares of the Management Company or units of the Fund and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the Institute of Chartered Accountants of Pakistan.
21. 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 IFAC guidelines in this regard.
22. We confirm that all other material principles contained in the Code have been complied with.

For and on behalf of the board

**Yasir Qadri
Chief Executive**

Karachi: September 20, 2011

**MCB CASH MANAGEMENT OPTIMIZER
REVIEW REPORT TO THE UNIT HOLDERS ON THE
STATEMENT OF COMPLIANCE WITH THE BEST PRACTICES
OF THE CODE OF CORPORATE GOVERNANCE
FOR THE YEAR ENDED JUNE 30, 2011**

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) for and on behalf of MCB Cash Management Optimizer to comply with the requirements of Chapter XI of the Listing Regulations of the Lahore 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 of the Fund. 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 Management Company's personnel and review of various documents prepared by the Management 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.

Sub-Regulation (xiii a) of Listing Regulation No. 35 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 prices 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, 2011.

**A.F. Ferguson & Co.
Chartered Accountants
Karachi
Dated: 25th October 2011**

MCB CASH MANAGEMENT OPTIMIZER INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS FOR THE YEAR ENDED JUNE 30, 2011

We have audited the accompanying financial statements of **MCB Cash Management Optimizer**, which comprise the statement of assets and liabilities as at June 30, 2011, 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 auditors' 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, 2011 and of its financial performance, cash flows and transactions for the year then ended in accordance with the approved accounting standards as applicable in Pakistan.

Other matters

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.

A.F. Ferguson & Co.
Chartered Accountants
Engagement Partner: Salman Hussain

Dated: 25th October 2011
Karachi

FINANCIAL STATEMENTS

**MCB CASH MANAGEMENT OPTIMIZER
STATEMENT OF ASSETS AND LIABILITIES
AS AT JUNE 30, 2011**

	Note	2011	2010
(Rupees in '000)			
ASSETS			
Bank balances	4	2,586,205	477,788
Investments	5	6,894,081	4,275,051
Term Deposit Receipts	6	1,150,000	1,820,000
Profit and other receivables	7	42,597	4,229
Preliminary expenses and floatation costs	8	3,249	4,249
Total assets		10,676,132	6,581,317
LIABILITIES			
Payable to the Management Company	9	11,111	11,589
Payable to the Trustee	10	731	642
Payable to the Securities and Exchange Commission of Pakistan	11	6,858	3,185
Payable against purchase of investments		195,273	9,951
Payable against redemption of units		-	18,893
Accrued expenses and other liabilities	12	69,038	12,047
Total liabilities		283,011	56,307
NET ASSETS		10,393,121	6,525,010
Unit holders' fund (as per statement attached)		10,393,121	6,525,010
CONTINGENCIES AND COMMITMENTS			
(Number of Units)			
NUMBER OF UNITS IN ISSUE		103,671,790	64,039,551
(Rupees)			
NET ASSET VALUE PER UNIT		100.25	101.89

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB CASH MANAGEMENT OPTIMIZER
INCOME STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	Note	For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
(Rupees in '000)			
INCOME			
Capital gain on sale of government securities		311,670	26,837
Income from government securities		636,154	295,479
Income from reverse repurchase transactions		5,461	68,319
Profit on bank deposits and term deposit receipts	16	202,863	118,991
Total income		1,156,148	509,626
Net unrealised appreciation on re-measurement of investments classified as ' financial assets at fair value through profit or loss'		16,224	2,789
		1,172,372	512,415
EXPENSES			
Remuneration of the Management Company		117,174	51,289
Remuneration of the Trustee		8,949	4,997
Annual fee - Securities and Exchange Commission of Pakistan		6,858	3,185
Brokerage and settlement charges		2,643	1,104
Amortisation of preliminary expenses and floatation costs		1,000	751
Auditors' remuneration	17	900	650
Other expenses		775	881
Total expenses		138,299	62,857
Net income from operating activities		1,034,073	449,558
Element of income / (loss) and capital gains / (losses) included in the prices of units issued less those in units redeemed		50,544	114,141
Provision for Workers' Welfare Fund	18	(21,692)	(11,274)
Net income before taxation		1,062,925	552,425
Taxation	19	-	-
Net income after taxation		1,062,925	552,425
Other comprehensive income for the year		-	-
Total comprehensive income for the year		1,062,925	552,425
Earnings per unit	3.12		

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB CASH MANAGEMENT OPTIMIZER
DISTRIBUTION STATEMENT
FOR THE YEAR ENDED JUNE 30, 2011**

	For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
	(Rupees in '000)	
Undistributed income brought forward		
- Realised income	118,268	-
- Unrealised loss	2,789	-
	121,057	-
Final distribution for the period from September 7, 2009 to June 30, 2010: Rs 1.8903 per unit (Date of distribution: July 2, 2010)		
- Cash distribution	(4,695)	-
- Bonus distribution	(116,359)	-
Interim distribution during the year ended June 30, 2011:		
On October 18, 2010 at Rs 3.1651 per unit (2010: on January 23, 2010 at Rs 3.3422 per unit)		
- Cash distribution	(19,128)	(26,712)
- Bonus distribution	(231,943)	(190,816)
On January 28, 2011 at Rs 3.1311 per unit (2010: on April 22, 2010 at Rs 2.6092 per unit)		
- Cash distribution	(53,967)	(21,766)
- Bonus distribution	(255,899)	(192,074)
On April 27, 2011 at Rs 2.8662 per unit		
- Cash distribution	(52,285)	-
- Bonus distribution	(235,024)	-
On June 23, 2011 at Rs 1.7578 per unit		
- Cash distribution	(34,633)	-
- Bonus distribution	(154,103)	-
Net income after taxation	1,062,925	552,425
Undistributed income carried forward	25,946	121,057
Undistributed income comprising:		
Realised income	9,722	118,268
Unrealised income	16,224	2,789
	25,946	121,057

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB CASH MANAGEMENT OPTIMIZER
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
FOR THE YEAR ENDED JUNE 30, 2011**

	For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
	(Rupees in '000)	
Net assets at beginning of the year / period	6,525,010	-
Issue of 181,113,298 units (2010: 229,205,032 units)	18,387,603	23,292,695
Issue of 9,933,286 interim bonus units (2010: 3,828,895)	993,329	382,890
Redemption of 151,414,345 units (2010: 168,994,376 units)	(15,367,166)	(17,157,491)
	4,013,766	6,518,094
Element of (income) / loss and capital (gains) / losses included in prices of units issued less those in units redeemed	(50,544)	(114,141)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	16,224	2,789
Capital gain on sale of government securities	311,670	26,837
Other net income for the year / period after taxation	735,031	522,799
Net income for the period	1,062,925	552,425
Final distributions for the period from September 7, 2009 to June 30, 2010: Rs 1.8903 per unit (Date of distribution: July 2, 2010)		
- Cash distribution	(4,695)	-
- Bonus distribution	(116,359)	-
Interim distribution during the period ended December 31, 2011:		
On October 18, 2010 at Rs 3.1651 per unit (2010: on January 23, 2010 at Rs 3.3422 per unit)		
- Cash distribution	(19,128)	(26,712)
- Bonus distribution	(231,943)	(190,816)
On January 28, 2011 at Rs 3.1311 per unit (2010: on April 22, 2010 at Rs 2.6092 per unit)		
- Cash distribution	(53,967)	(21,766)
- Bonus distribution	(255,899)	(192,074)
On April 27, 2011 at Rs 2.8662 per unit		
- Cash distribution	(52,285)	-
- Bonus distribution	(235,024)	-
On June 23, 2011 at Rs 1.7578 per unit		
- Cash distribution	(34,633)	-
- Bonus distribution	(154,103)	-
Net assets at the end of the year / period	10,393,121	6,525,010

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

**MCB CASH MANAGEMENT OPTIMIZER
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011**

Note	For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
	(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income before taxation	1,062,925	552,425
Adjustments for non-cash charges and other items:		
Capital gain on sale of government securities	(311,670)	(26,837)
Income from government securities	(636,154)	(295,479)
Net unrealised appreciation on re-measurement of investments classified as 'financial assets at fair value through profit or loss'	(16,224)	(2,789)
Amortisation of preliminary expenses and floatation costs	1,000	751
Element of (income) / losses and capital (gains) / losses included in prices of units issued less those in units redeemed	(50,544)	(114,141)
	49,333	113,930
(Increase) / decrease in assets		
Investments - net	(743,275)	(3,855,408)
Other receivables	(38,368)	(4,229)
	(781,643)	(3,859,637)
Increase / (decrease) in liabilities		
Payable to the Management Company	(478)	6,589
Payable to the Trustee	89	642
Payable against redemption of units	(18,893)	18,893
Payable to the Securities and Exchange Commission of Pakistan	3,673	3,185
Accrued expenses and other liabilities	56,991	12,047
	41,382	41,356
Net cash outflow on operating activities	(690,928)	(3,704,351)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net receipts from issue of units	18,387,603	23,292,695
Net payments on redemption of units	(15,367,166)	(17,157,491)
Distributions during the period	(164,708)	(48,478)
Net cash inflow from financing activities	2,855,729	6,086,726
	2,164,801	2,382,375
Net increase in cash and cash equivalents during the year / period		
Cash and cash equivalents at the beginning of the year / period	2,382,375	-
Cash and cash equivalents at the end of the year / period	4,547,176	2,382,375

The annexed notes 1 to 31 form an integral part of these financial statements.

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

Chief Executive

Director

MCB CASH MANAGEMENT OPTIMIZER NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

1. LEGAL STATUS AND NATURE OF BUSINESS

MCB Cash Management Optimizer (the Fund) was established under the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules) and Non Banking Finance Companies and Notified Entities Regulations, 2008 and was approved as an open end investment scheme by the Securities and Exchange Commission of Pakistan (SECP) on July 30, 2009. It was constituted under a Trust Deed dated July 10, 2009 between MCB Asset Management Company Limited as the Management Company, a company incorporated under the Companies Ordinance, 1984 and Central Depository Company of Pakistan Limited as the Trustee, also incorporated under the Companies Ordinance, 1984.

Based on shareholders' resolutions of MCB Asset Management Company Limited and Arif Habib Investments Limited 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). Arif Habib Investments Limited being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & 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 Sindh High Court (SHC). The honourable Sindh High Court (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.

1.1 The Management Company of the Fund has been licensed to act as Asset Management Company under the NBFC Rules through a certificate of registration issued by the SECP. The registered office of the Management Company is situated at 8th Floor, Techno City Corporate Tower, Hasrat Mohani Road, Karachi.

1.2 The Fund is an open end mutual fund and offers units for public subscription on a continuous basis. The units of the Fund can be transferred to / from other funds managed by the Management Company and can also be redeemed by surrendering to the Fund. The units are listed on the Lahore Stock Exchange.

The Fund is purely a money market fund and has a policy to invest in short term corporate debt and government securities, repurchase agreements, term deposit and money market placements with scheduled banks, with a maximum maturity of 180 days and weighted average maturity upto 90 days. The objective of the fund is to provide competitive returns from a low risk portfolio of short duration assets while maintaining high liquidity.

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

1.4 The Pakistan Credit Rating Agency (PACRA) Limited has assigned an asset manager rating of AM2- to the Management Company and a fund stability rating of AA(f) to the Fund.

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 (IFRSs) issued by the International Accounting Standards Board as are notified under the Companies Ordinance, 1984, the requirements of the Trust Deed, the requirements of the Non-Banking Finance Companies (Establishment and Regulation) Rules, 2003 (the NBFC Rules), the requirements of the Non-Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations) and the directives issued by the Securities and Exchange Commission of Pakistan (SECP). Wherever the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the NBFC Rules, the NBFC Regulations or the directives issued by SECP prevail.

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

There are certain new standards, amendments and International Financial Reporting Interpretations Committee (IFRIC) interpretations that became effective during the year and are mandatory for accounting periods beginning on or after July 1, 2010 but are considered not to be relevant or did not have any significant effect on the Fund's operations and are, therefore, not detailed in these financial statements.

MCB CASH MANAGEMENT OPTIMIZER NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

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

The following revised standard has been published and is mandatory for accounting periods beginning on or after July 1, 2011:

IAS 24 (revised), 'Related party disclosures', issued in November 2009. It supersedes IAS 24, 'Related party disclosures', issued in 2003. The revised standard clarifies and simplifies the definition of a related party and removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities. The Fund will apply the revised standard from July 1, 2011. The Fund is currently in the process of assessing the impact, if any, of the revised standard on the related party disclosures.

There are other amendments to the standards, improvements to International Financial Reporting Standards 2010 and new 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.

2.4 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires the management to exercise its judgment in the process of applying the Fund's accounting policies. Estimates and judgments are continually evaluated and are based on historical experience, including expectations of future events that are believed to be reasonable under the circumstances. The area 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).

2.5 Accounting Convention

These financial statements have been prepared under the historical cost convention except for investments classified as 'financial assets at fair value through profit or loss' which are carried at fair value.

2.6 Functional and Presentation Currency

These financial statements are presented in Pak Rupees which is the functional and presentation currency of the Fund.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Cash and cash equivalents

Cash and cash equivalents include demand deposits, term deposit receipt with banks and other short term highly liquid investments with original maturities of three months or less and which are subject to insignificant changes in value.

3.2 Financial assets

3.2.1 Classification

The Fund classifies its financial assets either as 'Financial assets at fair value through profit or loss' or as 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the 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 prices are classified as held for trading in the 'Financial assets at fair value through profit or loss' category.

MCB CASH MANAGEMENT OPTIMIZER NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

(b) Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

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

Subsequent to initial recognition, the investments of the Fund in government securities, designated by the management as 'financial assets at fair value through profit or loss', are valued on the basis of rates announced by the Financial Market Association of Pakistan.

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

Subsequent to initial recognition, loans and receivables are carried at amortised cost, using the effective interest rate method.

3.2.5 Impairment

The Fund assesses at each balance sheet date whether there is objective evidence that the financial asset or a group of financial assets is impaired. If any such indication exists, the recoverable amount of such asset or group of assets is estimated and impairment losses are recognised in the income statement.

For financial assets classified as 'loans and receivables', a provision for impairment is established when there is objective evidence that the Fund will not be able to collect all amounts due according to the original terms. The provision against loans and receivables is made as per the provisioning policy duly formulated and approved by the Board of Directors of the Management Company as per the requirements of circular 13 of 2009 dated May 4, 2009 issued by the Securities and Exchange Commission of Pakistan.

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.

3.3 Financial liabilities

All financial liabilities are recognised at the time when the Fund becomes a party to the contractual provisions of the instrument. They are initially recorded at fair value and subsequently stated at amortised cost.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expired.

MCB CASH MANAGEMENT OPTIMIZER NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2011

3.4 Securities under repurchase / resale agreements

Transactions of purchase of government securities under resale (reverse-repo) arrangements 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 is 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 term of the reverse-repo agreement.

3.5 Preliminary expenses and floatation costs

Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. These costs are being amortised over a period of five years commencing from September 30, 2009, as per the requirement of the Trust Deed of the Fund.

3.6 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.

3.7 Taxation

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 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 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 no longer probable 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.

3.8 Net asset value per unit

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

3.9 Issue and redemption of units

Units issued are recorded at the offer price of the day on which funds are received in the Trustee bank accounts during business hours. The offer price represents the net asset value per unit as of the close of the previous business day.

Units redeemed are recorded at the redemption price announced as of the close of the business day on which a correctly filled-in redemption form is submitted within business hours. The redemption price represents the net asset value per unit as of the close of the previous business day.

3.10 Proposed distributions

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

3.11 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.

**MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

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 income / (losses) held in the Unit Holder's Funds 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.

3.12 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.

3.13 Revenue recognition

- Mark-up on government securities, letter of placements, commercial paper, certificates of deposits and term deposits are recognised on an accrual basis.
- Income on reverse repurchase transactions are recognised on an accrual basis.
- Profit on bank deposits is recognised on an accrual basis.
- Realised capital gains / (losses) arising on sale of investments are included in the income statement on the date at which the transaction takes place.
- Dividend income on equity securities is recognised when the right to receive dividend is established.
- Unrealised gains or losses arising on revaluation of investments classified as 'financial assets at fair value through profit or loss' category are included in the income statement in the period in which they arise.

4. BANK BALANCES

Note	2011	2010
(Rupees in '000)		
Saving accounts	2,586,205	477,788

4.1 These saving accounts carry profit at rates ranging from 5% to 13.9% per annum.

5. INVESTMENTS

Note	2011	2010
(Rupees in '000)		
Financial assets at fair value through profit or loss - held for trading - Investment in government securities	6,894,081	4,275,051

**MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

5.1 Financial assets at fair value through profit or loss - held for trading

Investment in government securities

Government Securities	Face value				Balance as at June 30, 2011			Market value as a percentage of net assets %	Market value as a percentage of total investment %
	As at July 1, 2010	Purchased during the period	Disposed / matured during the period	As at June 30, 2011	Carrying value	Market value	Appreciation / (Diminution)		
------(Rupees in 000)-----									
Treasury Bills - 1 year	1,050,000	8,037,000	9,086,000	1,000	995	995	-	0.01	0.01
Treasury Bills - 6 months	3,243,000	20,740,000	17,653,000	6,330,000	6,066,205	6,082,115	15,910	58.52	88.22
Treasury Bills - 3 months	85,000	63,449,000	62,709,000	825,000	810,657	810,971	314	7.80	11.76
Totals	4,378,000	92,226,000	89,448,000	7,156,000	6,877,857	6,894,081	16,224	66.33	99.99

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Government Securities	Face value				Balance as at June 30, 2010			Market value as a percentage of net assets %	Market value as a percentage of total investment %
	As at July 1, 2009	Purchased during the period	Disposed / matured during the period	As at June 30, 2010	Carrying value	Market value	Appreciation / (Diminution)		
------(Rupees in 000)-----									
Treasury Bills - 1 year	-	11,386,000	10,336,000	1,050,000	1,024,722	1,023,166	(1,556)	15.68	23.93
Treasury Bills - 6 months	-	12,274,000	9,031,000	3,243,000	3,162,907	3,167,298	4,391	48.54	74.09
Treasury Bills - 3 months	-	6,501,000	6,416,000	85,000	84,633	84,587	(46)	1.30	1.98
Totals	-	30,161,000	25,783,000	4,378,000	4,272,262	4,275,051	2,789	65.52	100.00

6. TERM DEPOSIT RECEIPTS

	Note	2011	2010
Term deposit receipts	6.1	1,150,000	1,820,000
		<u>1,150,000</u>	<u>1,820,000</u>

(Rupees in '000)

**MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

6.1 Term deposit receipts from various banking companies carry interest rates ranging from 13.8% to 13.95% and are maturing at various dates upto July 30, 2011.

7. PROFIT AND OTHER RECEIVABLES

	2011	2010
	(Rupees in '000)	
Profit on saving deposits	16,256	2,147
Profit on term deposit receipts	26,241	2,082
Others	100	-
	42,597	4,229

8. PRELIMINARY EXPENSES AND FLOATATION COSTS

Balance as at the beginning of the year / period	4,249	-
Preliminary expenses and floatation costs incurred	-	5,000
Less: amortisation for the year / period	1,000	751
Balance as at the end of the year / period	3,249	4,249

8.1 Preliminary expenses and floatation costs represent expenditure incurred prior to the commencement of operations of the Fund. This expenditure is being amortised over a period of five years commencing from September 30, 2009 as per the requirement set out in the Trust Deed of the Fund.

9. PAYABLE TO THE MANAGEMENT COMPANY

	Note	2011	2010
		(Rupees in '000)	
Remuneration of the Management Company	9.1	11,111	6,589
Preliminary expenses and floatation charges		-	5,000
		11,111	11,589

9.1 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 3% of the average annual net assets of the Fund and thereafter of an amount equal to 2% of such assets of the Fund. The remuneration began to accrue from the close of the Initial Public Offer period on September 30, 2009. The Management Company has charged remuneration at a rate of 10% on the daily Gross earnings of the fund with a cap of 3% per annum and a floor of 0.25% per annum of average daily net assets of the Fund. The remuneration is paid to the Management Company on a monthly basis in arrears.

10. PAYABLE TO THE TRUSTEE

	Note	2011	2010
		(Rupees in '000)	
Trustee fee	10.1	731	642

10.1 The Trustee is entitled to a monthly remuneration for services rendered to the Fund under the provisions of the Trust Deed and Offering Documents as per the tariff specified therein, based on the daily net asset value of the Fund. As per the Trust Deed and Offering Document the tariff structure applicable to the Fund in respect of trustee fee is as follows:

Tariff applicable from July 01, 2010 to December 31, 2010.

Amount of funds under management (average NAV)

Tariff per annum

Upto Rs 1,000 million

Rs 0.7 million or 0.20% per annum of NAV, whichever is higher.

On an amount exceeding Rs 1,000 million

Rs 2 million plus 0.10% per annum of NAV, exceeding Rs 1,000 million

Tariff applicable from January 01, 2011 to June 30, 2011.

**MCB CASH MANAGEMENT OPTIMIZER
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Amount of funds under management (average NAV)	Tariff per annum
Upto Rs 1,000 million	Rs 0.6 million or 0.17% per annum of NAV, whichever is higher
From Rs 1,000 million to Rs 5,000 million	Rs 1.7 million plus 0.085% per annum of NAV, exceeding Rs 1,000 million
On an amount exceeding Rs 5,000 million	Rs 5.1 million plus 0.07% per annum of NAV, exceeding Rs 5,000 million.

The remuneration is paid to the Trustee on monthly basis in arrears.

11. PAYABLE TO THE SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

	Note	2011	2010
(Rupees in '000)			
Annual fee	11.1	<u>6,858</u>	<u>3,185</u>

- 11.1** Under the provisions of the Non Banking Finance Companies and Notified Entities Regulations, 2008 (the NBFC Regulations), a collective investment scheme which is a money market scheme is required to pay as annual fee to SECP, at an amount equal to 0.075 % of the average annual net assets of the Fund. The fee is payable annually in arrears.

12. ACCRUED EXPENSES AND OTHER LIABILITIES

	2011	2010
(Rupees in '000)		
Auditors' remuneration	425	350
Payable to Workers' Welfare Fund	32,966	11,274
Withholding tax payable	614	53
Others	35,033	370
	<u>69,038</u>	<u>12,047</u>

13. FINANCIAL INSTRUMENTS BY CATEGORY

-----As at June 30, 2011-----			
	Loans and receivables	Assets 'at fair value through profit or loss'	Total
------(Rupees in '000)-----			
ASSETS			
Bank balances	2,586,205	-	2,586,205
Investments	-	6,894,081	6,894,081
Term Deposit Receipts	1,150,000	-	1,150,000
Profit and other receivables	42,597	-	42,597
	<u>3,778,802</u>	<u>6,894,081</u>	<u>10,672,883</u>

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-----As at June 30, 2011-----		
Liabilities 'at fair value through profit	Other financial liabilities	Total
------(Rupees in '000)-----		
	11,111	11,111
	731	731
	195,273	195,273
	-	-
	35,458	35,458
	242,573	242,573

LIABILITIES

Payable to the Management Company
Payable to the Trustee
Payable against purchase of investments
Payable against redemption of units
Accrued expenses and other liabilities

-----As at June 30, 2010-----		
Loans and receivables	Assets 'at fair value through profit or loss'	Total
------(Rupees in '000)-----		
477,788	-	477,788
-	4,275,051	4,275,051
1,820,000	-	1,820,000
4,229	-	4,229
2,302,017	4,275,051	6,577,068

ASSETS

Bank balances
Investments
Term Deposit Receipts
Profit and other receivables

-----As at June 30, 2010-----		
Liabilities 'at fair value through profit	Other financial liabilities	Total
------(Rupees in '000)-----		
	11,589	11,589
	642	642
	9,951	9,951
	18,893	18,893
	720	720
	41,795	41,795

LIABILITIES

Payable to the Management Company
Payable to the Trustee
Payable against purchase of investments
Payable against redemption of units
Accrued expenses and other liabilities

14. CONTINGENCIES AND COMMITMENTS

There were no contingencies and commitments outstanding as at June 30, 2011 and June 30, 2010.

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15. NUMBER OF UNITS IN ISSUE

Total units in issue at the beginning of the year / period
Add: Units issued
Add: Bonus units issued
Less: Units redeemed
Total units in issue at the end of the year / period

For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
(Rupees in '000)	
64,039,551	-
181,113,298	229,205,032
9,933,286	3,828,895
(151,414,345)	(168,994,376)
103,671,790	64,039,551

16. PROFIT ON BANK DEPOSITS AND TERM DEPOSIT RECEIPTS

Profit on saving deposits
Profit on term deposit receipts

For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
(Rupees in '000)	
61,856	42,274
141,007	76,717
202,863	118,991

17. AUDITOR'S REMUNERATION

Annual audit fee
Half yearly review fee
Other certifications
Out of pocket expenses

For the year ended June 30, 2011	For the period from September 7, 2009 to June 30, 2010
(Rupees in '000)	
300	250
200	175
350	150
50	75
900	650

18. PROVISION FOR 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. However, without prejudice to the above, the Management Company made a provision for WWF contribution in the annual financial statements for the year ended 30 June, 2010.

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 council 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. However, pending the decision of the said constitutional petition, the Management Company, as a matter of abundant caution, has decided to continue to maintain the provision for WWF amounting to Rs 32.966 million (including Rs 21.692 million for the current year) in these financial statements.

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19. TAXATION

The income of the Fund is exempt from income tax under clause 99 of Part I of the Second Schedule to the Income Tax Ordinance, 2001 subject to the condition that not less than 90 percent of its accounting income for the year, as reduced by capital gains, whether realised or unrealised, is distributed amongst the unit holders. The Fund has not recorded any tax liability in respect of income relating to the current year as the management company has distributed the required minimum income for the year as reduced by capital gains (whether realised or unrealised) to its unit holders.

20. CASH AND CASH EQUIVALENTS

	Note	2011	2010
(Rupees in '000)			
Bank balances	4	2,586,205	477,788
Term deposit receipts	6	1,150,000	1,820,000
Treasury bills (original maturity less than 3 months)	5.1	810,971	84,587
		4,547,176	2,382,375

21. TRANSACTIONS WITH CONNECTED PERSONS / OTHER RELATED PARTIES

21.1 Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, the Trustee, directors and key management personnel and other associated undertakings.

21.2 The transactions with connected persons are in the normal course of business, at contracted rates and terms determined in accordance with market rates.

21.3 Remuneration payable to the Management Company and the fee payable to the Trustee are determined in accordance with the provisions of the NBFC Regulations and the Trust Deed respectively.

21.4 Transactions with connected persons during the period

	For the year ended June 30, 2011	For the period from September 7, 2009 to June 30 2010
(Rupees in '000)		
MCB Bank Limited		
Profit received on deposit accounts	6,788	1,727
MCB Asset Management Company Limited (now merged with and into Arif Habib Investments Limited)		
Remuneration of the Management Company	117,174	51,289
Issue of Nil units (2010: 1,000,000)	-	100,000
Issue of bonus units: 72,300 (2010: Nil Units)	7,230	3,056
Redemption of Nil units (2010: 493,965)	-	50,000
MCB AMC Staff Provident Fund		
Issue of 24,951 units (2010: 11,898 units)	2,500	1,200
Issue of bonus units: 1,529 (2010: Nil Units)	153	-
Redemption of 12,220 units (2010: Nil units)	1,250	-
Central Depository Company of Pakistan Limited-Trustee		
Fee charged during the period	8,949	4,997
Adamjee Insurance Company Limited		
Issue of units: 23,542,157 (2010: 40,292,874 units)	2,400,000	4,111,339
Issue of bonus units: 742,566 (2010: 652,634 units)	74,257	65,263
Redemption of units: 16,217,027 (2010: 39,391,533 units)	1,641,601	4,007,839

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For the year ended June 30, 2011	For the period from September 7, 2009 to June 30 2010
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(Rupees in '000)

Adamjee Life Assurance Company Limited

Issue of Nil units (2010: 2,067,790 units)	-	211,552
Issue of nil bonus units (2010: 59,933 units)	-	5,993
Redemption of nil units: (2010: 2,127,723 units)	-	215,111

First Women Bank Limited

Issue of Nil units: (2010: 200,000 units)	-	20,000
Issue of bonus units: 4,008 (2010: 12,077)	401	1,208
Redemption of units: 216,086	22,273	-

Habib Metropolitan Bank Limited

Issue of 14,801,423 units: (2010: 4,921,473 units)	1,502,487	501,329
Issue of bonus units: 345,976 (2010: Nil units)	34,597	-
Redemption of units: 10,239 (2010: Nil units)	1,041,568	-

Key Management Personnel

Issue of units: 23,181 (2010: 39,305 units)	2,350	4,004
Issue of bonus units: 4,982 (2010: 1,613 units)	137	161
Redemption of units: 10,826 (2010: 8,920 units)	1,096	909

21.5 Amount outstanding as at year / period end

2011	2010
------	------

(Rupees in '000)

MCB Bank Limited

Bank balance	362,061	105,951
Profit receivable on deposit accounts	7,821	373

**MCB Asset Management Company Limited
(now merged with and into Arif Habib Investments Limited)**

Remuneration payable to the Management Company	11,111	6,589
Units held: 608,892 (2010: 536,593 units)	61,018	54,673

MCB AMC Staff Provident Fund

Units held: 26,158 (2010: 11,898 units)	2,621	1,212
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Habib Metropolitan Bank Limited

Units held: 9,830,125 (2010: 4,921,472 units)	985,098	501,329
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Central Depository Company of Pakistan Limited-Trustee

Fee payable	731	642
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Adamjee Insurance Company Limited

Units held: 9,621,671 (2010: 1,553,975 units)	964,208	158,334
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Key Management Personnel

Units held : 21,670 (2010: 30,051)	2,184	3,062
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**MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
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22. PARTICULARS OF INVESTMENT COMMITTEE AND FUND MANAGER

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

Name	Designation	Experience in years	Qualification
1 Mr. Yasir Qadri	Chief Executive	16	MBA
2 Mr. Kashif Rafi	Fund Manager - Fixed Income	10	MBA, CFA (Level 1)
3 Mr. Muhammad Asim	Fund Manager - Equity Funds	8	MBA & CFA
4 Mr. Syed Akbar Ali	Senior Research Analyst	6	MBA & CFA
5 Mr. Mohsin Pervez	Senior Research Analyst	10	MBA, CFA (Level 1)

22.2 Mr. Kashif Rafi is the Manager of the Fund. He is also managing MCB Dynamic Cash Fund and MCB Dynamic Allocation Fund.

23. TRANSACTIONS WITH BROKERS / DEALERS

List of top ten brokers by percentage of commission paid during the year ended June 30, 2011:

	Percentage
1 Invest Capital & Securities (Pvt) Ltd	20.32%
2 BMA Capital Management Co.	17.73%
3 Invisor Securities (Pvt) Limited	14.88%
4 Invest & Finance Securities (Pvt) Limited	10.83%
5 JS Global Capital Limited	9.75%
6 Global Securities Pakistan Limited	6.33%
7 Elixir Securities Pakistan (Pvt) Limited	6.12%
8 KASB Securities Limited	5.49%
9 Summit Capital Markets (Pvt.) Limited	2.68%
10 Vector Capital (Pvt.) Limited	2.15%

List of top ten brokers by percentage of commission paid during the period from September 7 ,2009 to June 30, 2010:

	Percentage
1 IGI Finex Securities Limited	28.16%
2 Invest Capital Investment Bank Limited	22.61%
3 Invisor Securities (Pvt) Limited	13.93%
4 Global Securities Pakistan Limited	9.58%
5 BMA Capital Management Co.	8.00%
6 KASB Securities Limited	5.30%
7 Alfalah Securities (Pvt) Ltd	4.72%
8 JS Global Capital Limited	2.55%
9 Atlas Capital Markets (Pvt) Limited	2.49%
10 Elixir Securities Pakistan (Pvt.) Limited	2.44%

MCB CASH MANAGEMENT OPTIMIZER
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24. PATTERN OF UNIT HOLDING

-----June 30, 2011-----				
Category	Number of Unit Holders	Number of Unit Held	Net asset value of the amount invested	Percentage of total investment
------(Rupees in '000)-----				
Individuals	688	9,333,866	935,722	9%
Associated Companies / Directors	5	10,294,779	1,032,054	10%
Insurance Companies	7	7,299,307	731,757	7%
Banks / DFIs	6	19,203,365	1,925,142	19%
NBFCs	-	-	-	-
Retirement Funds	27	2,172,193	217,763	2%
Public Limited Companies	36	46,507,003	4,662,338	45%
Others	29	8,861,277	888,345	8%
	798	103,671,790	10,393,121	100%

-----June 30, 2010-----				
Category	Number of Unit Holders	Number of Unit Held	Net asset value of the amount invested	Percentage of total investment
------(Rupees in '000)-----				
Individuals	417	6,915,455	704,618	11%
Associated Companies / Directors	3	2,102,466	214,221	3%
Insurance Companies	8	7,045,214	717,839	11%
Banks / DFIs	4	8,119,298	827,278	13%
NBFCs	-	-	-	-
Retirement Funds	23	1,252,312	127,598	2%
Public Limited Companies	13	25,298,801	2,577,703	40%
Others	36	13,306,005	1,355,753	20%
	504	64,039,551	6,525,010	100%

25. ATTENDANCE OF MEETING OF BOARD OF DIRECTORS OF THE MANAGEMENT COMPANY

MCB Asset Management Company Limited merged with and into Arif Habib Investments Limited on June 27, 2011.

Before merger the 20th, 21st, 22nd, 23rd, 24th and 25th BoD meetings of MCB Asset Management Company Limited were held on July 1, 2010, September 7, 2010, October 18, 2010, January 28, 2011, April 27, 2011 and June 23, 2011 respectively. Information in respect of attendance by Directors in the meetings is given below:

Name of Persons attending the meetings	Number of Meetings				Meeting not attended
	Held	Attendance required	Attended	Leave Granted	
1 Mr. Mian Mohammad Mansha	6	6	5	1	21st meeting
2 Mr. U.A. Usmani	6	6	6	-	-
3 Mr. Ali Munir	6	6	6	-	-
4 Mr. Ahmed Jahangir	6	6	6	-	-
5 Mr. Haroun Rashid	6	6	6	3	20th, 21st, 23rd meeting
6 Mr. Syed Waliullah Shah	6	6	4	2	23rd, 25th meeting
7 Mr. Samir Saigol	6	6	6	-	-
8 Mr. Ismail Arif Rafi *	6	6	4	1	25th meeting
9 Mr. Yasir Qadri (Chief Executive Officer)	6	6	6	-	-
10 Mr. Saqib Saleem (CFO & Company Secretary)	6	6	6	-	-

* The above director was appointed during the year and only five meetings of the Board were held after his appointment

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Subsequent to merger the 88th BoD meeting of Arif Habib Investment Limited was held on June 27, 2011. Information in respect of attendance by Directors in the meetings is given below:

Name of Persons attending the meetings	Number of Meetings				Meeting not attended
	Held	Attendance required	Attended	Leave Granted	
1 Mr. Mian Mohammad Mansha	1	1	1	-	
2 Mr. Haroun Rashid	1	1	1	-	-
3 Mr. Ahmed Jahangir	1	1	1	-	-
4 Mr. Muhammad Shafi Malik *	1	1	1	-	-
5 Mr. Nasim Beg	1	1	1	-	-
6 Mr. Muhammad Akmal Jameel *	1	1	1	-	-
7 Mr. Muhammad Kashif *	1	1	-	1	88th meeting
8 Mr. Syed Ajaz Ahmed *	1	1	-	1	88th meeting
9 Mr. Sirajuddin Cassim *	1	1	-	1	88th meeting
10 Mr. S. Gulrez Yazdani *	1	1	1	-	-
11 Mr. Samad A. Habib	1	1	1	-	-
12 Mr. Salman Ali Shah	1	1	1	-	-
13 Mr. Mirza Mahmood Ahmad	1	1	1	-	-
14 Mr. Yasir Qadri (Chief Executive Officer)	1	1	1	-	-
15 Mr. Saqib Saleem (CFO & Company Secretary)	1	1	1	-	-

* The above directors retired in the 88th meeting held on June 27, 2011

26. FINANCIAL RISK MANAGEMENT POLICIES

The Fund is a money market fund which primarily invests in government securities. The Fund's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk.

26.1 Market risk

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

The Management Company manages market risk by monitoring exposure on marketable securities by following internal risk management policies 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.

26.1.1 Currency risk

Currency risk is the risk that the fair value or future cashflows 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.

26.1.2 Interest rate risk

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

a) Sensitivity analysis for variable rate instruments

As at June 30, 2011, the Fund does not hold any variable rate instruments and is not exposed to cash flow interest rate risk.

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b) Sensitivity analysis for fixed rate instruments

As at June 30, 2011 the Fund holds Market Treasury Bills which are classified as 'financial assets 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 the Financial Market Association of Pakistan (FMAP) on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be lower by Rs 18.509 million. In case of 100 basis points decrease in rates announced by the FMAP on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be higher by Rs 18.619 million.

As at June 30, 2010, the Fund also holds term deposit receipts which are classified as 'loans and receivables'. Since 'loans and receivables' are carried at amortised cost, any increase or decrease in market interest rates will not affect the net income for the period nor the net assets of the fund as at June 30, 2011.

The composition of the Fund's investment portfolio and rates announced by FMAP is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

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 settlement date.

-----June 30, 2011-----					
Yield / effective interest rate %	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
On-balance sheet financial instruments					
------(Rupees in '000)-----					
Financial Assets					
Bank balances	5.00 - 13.9	2,586,205	2,586,205	-	-
Investments	11.25 - 13.75	6,894,081	6,894,081	-	-
Term Deposit Receipts	13.8 - 13.95	1,150,000	1,150,000	-	-
Profit and other receivables		42,597	42,597	-	-
		10,672,883	10,672,883	-	-
Financial Liabilities					
Payable to the Management Company		11,111	-	-	11,111
Payable to the Trustee		731	-	-	731
Payable against purchase of investment		195,273	-	-	195,273
Payable against redemption of units		-	-	-	-
Accrued expenses and other liabilities		36,072	-	-	36,072
		243,187	-	-	243,187
On balance sheet gap		10,429,696	10,672,883	-	(243,187)
Off balance sheet financial instruments		-	-	-	-
Off balance sheet gap		-	-	-	-
Total interest rate sensitivity gap		10,429,696	10,672,883	-	(243,187)
Cumulative interest rate sensitivity gap			10,672,883	10,672,883	10,672,883
				10,672,883	10,429,696

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-----June 30, 2010-----					
Yield / effective interest rate %	Total	Exposed to yield / interest rate risk			Not exposed to yield / interest rate risk
		Up to three months	More than three months and up to one year	More than one year	
----- (Rupees in '000) -----					
On-balance sheet financial instruments					
Financial Assets					
Bank balances	5.00 - 11.00	477,788	477,788	-	-
Investments	10.53 - 12.84	4,275,051	4,275,051	-	-
Term Deposit Receipts	12.50 - 12.60	1,820,000	1,820,000	-	-
Profit and other receivables		4,229	-	-	4,229
		6,577,068	6,572,839	-	4,229
Financial Liabilities					
Payable to the Management Company		11,589	-	-	11,589
Payable to the Trustee		642	-	-	642
Payable against purchase of investment		9,951	-	-	9,951
Payable on redemption of units		18,893	-	-	18,893
Accrued and other liabilities		773	-	-	773
		41,848	-	-	41,848
On balance sheet gap		<u>6,535,220</u>	<u>6,572,839</u>	<u>-</u>	<u>(37,619)</u>
Off balance sheet financial instruments		-	-	-	-
Off balance sheet gap		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total interest rate sensitivity gap		<u>6,535,220</u>	<u>6,572,839</u>	<u>-</u>	<u>(37,619)</u>
Cumulative interest rate sensitivity gap			<u>6,572,839</u>	<u>6,572,839</u>	<u>6,572,839</u>

26.1.3 Price Risk

Price risk is the risk that the fair value or future cash flow of financial instrument will fluctuate because of changes in market prices (other than those arising from interest risk or currency risk) whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The fund is not exposed to any price risk as no equity securities are held by the Fund as on June 30, 2011.

26.2 Credit risk

Credit risk represents the risk of a loss if counter parties fail to perform as contracted. Credit risk arises from deposits with banks and financial institutions and receivable against sale of investments. The fund places its deposits with banks with sound credit ratings and excellent reputation.

The Fund's policy is to enter into financial contracts in accordance with the internal risk management policies and investment guidelines approved by the Investment Committee. The Fund does not expect to incur material credit losses on its financial assets.

The analysis below summarises the credit quality of the Fund's financial assets as at June 30, 2011:

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Name of the bank	Balance as at June 30, 2011	Rating agency	Published rating	Percentage of total bank balances
(Rupees in '000)				
Muslim Commercial Bank (MCB)	362,061	PACRA	A1+	9.69%
Standard Chartered Bank	247,807	PACRA	A1+	6.63%
Bank Alfalah Limited	1,621,125	PACRA	A1+	43.39%
Faysal Bank Limited	1,500,114	PACRA	A1+	40.15%
United Bank Limited	47	JCR-VIS	A-1+	0.00%
Allied Bank Limited	21	PACRA	A1+	0.00%
National Bank of Pakistan	10	JCR-VIS	A-1+	0.00%
Habib Bank Limited	5,010	JCR-VIS	A-1+	0.13%
Habib Metropolitan Bank Limited	10	PACRA	A1+	0.00%
	3,736,205			100.00%

Investment in Treasury Bills is guaranteed by Government of Pakistan and accordingly is risk free.

The maximum exposure to credit risk before any credit enhancement as at June 30, 2011 is the carrying amount of the financial assets. None of these assets are impaired nor past due but not impaired.

26.3 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, at the option of the unit holders. The Fund's approach to managing liquidity risk is to ensure, as far as possible, that the Fund will 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 the majority of its assets in short term corporate debt and government securities that can be readily disposed and are considered readily realisable.

The Fund has the ability to borrow in the short term to ensure settlement. However, during the current period, no borrowing was obtained by the Fund. The maximum amount available to the Fund from the borrowing would be limited to fifteen percent of the net assets upto 90 days and would be secured by the assets of the Fund. The facility would bear interest at commercial rates.

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 period.

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

MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

-----June 30, 2011-----			
Total	Upto three months	Over three months and upto one year	Over one year

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

Financial Liabilities

Payable to the Management Company	11,111	11,111	-	-
Payable to the Trustee	731	731	-	-
Payable against purchase of investment	195,273	195,273	-	-
Payable against redemption of units	-	-	-	-
Accrued expenses and other liabilities	36,072	36,072	-	-
Contractual cash out flows	243,187	243,187	-	-

-----June 30, 2010-----			
Total	Upto three months	Over three months and upto one year	Over one year

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

Financial Liabilities

Payable to the Management Company	11,589	11,589	-	-
Payable to the Trustee	642	642	-	-
Payable against purchase of investment	9,951	9,951	-	-
Payable against redemption of units	18,893	18,893	-	-
Accrued expenses and other liabilities	773	773	-	-
Contractual cash out flows	41,848	41,848	-	-

27. UNIT HOLDERS' FUND RISK MANAGEMENT

The Unit holders' fund is represented by redeemable units. These units are entitled to distributions and to redemptions based on the redemption price that is fixed on the basis of the Fund's net asset value per unit announced on the close of the business day preceding the day on which a correctly filled application for redemption is received. The relevant movements are shown on the Statement of Movement in Unit Holders' Fund.

The Fund has no restrictions on the subscription and redemption of units. However, the Management Company has taken undertaking from the sponsor to invest Rs 100 million for atleast two years in compliance with Regulation 44(3)(e)(ii) of the NBFC Regulations.

The Fund's objectives when managing unit holders' fund 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 base of assets under management.

In accordance with the risk management policies stated in note 26, the Fund endeavours to invest the subscriptions received in appropriate investment avenues while maintaining sufficient liquidity to meet redemptions. In addition the Fund can also support liquidity by short-term borrowings or disposal of investments, where necessary.

28. FAIR VALUE OF FINANCIAL INSTRUMENTS

Fair value is the amount for which an asset could be exchanged or liability settled, between knowledgeable willing parties in an arm's length transaction. Consequently, differences can arise between carrying values and the fair value estimates.

**MCB CASH MANAGEMENT OPTIMIZER
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2011**

Underlying the definition of fair value is the presumption that the Fund is a going concern without any intention or requirement to curtail materially the scale of its operations or to undertake a transaction on adverse terms.

The fair values of financial assets and liabilities in active market (e.g. treasury bills) are based on quoted market prices at the close of the trading on the period end date. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or rating agency, and those prices represent actual and regularly occurring market transactions on an arm length's basis.

The estimated fair value of all other financial assets and liabilities is considered not significantly different from book value as the items are short term in nature or periodically repriced.

According to the amendments to International Financial Reporting Standard 7, "Financial Instruments: Disclosure - Improving disclosures about financial instruments", an entity shall classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used 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 (i.e. as prices) or indirectly (i.e. derived from prices) (level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3)

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety shall be determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

-----As at June 30, 2011-----			
Level 1	Level 2	Level 3	Total
----- (Rupees in '000) -----			

ASSETS

Investment in government securities	-	6,894,081	-	6,894,081
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29. CORRESPONDING FIGURES

Corresponding figures have been re-classified, re-arranged or additionally incorporated in these financial statements, wherever necessary to facilitate comparison and to conform with changes in presentation in the current year. No significant rearrangements or reclassifications were made in these financial statements.

30. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue on September 20, 2011 by the Board of Directors of the Management Company.

31. GENERAL

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

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

Chief Executive

Director

**MCB CASH MANAGEMENT OPTIMIZER
PATTERN OF HOLDING AS PER REQUIREMENT OF
CODE OF CORPORATE GOVERNANCE
AS AT JUNE 30, 2011**

Category	No. of Unit Holders	Units
Associated Company, Undertakings, and Related Parties		
Adamjee Insurance Co. Ltd.	1	9,621,671
MCB Asset Management Company Limited	1	608,892
Adamjee Life Assurance Co. Ltd.-Nuil Fund	1	35,075
MCB AMC Staff Provident Fund	1	26,158
MCB Bank Limited Main Branch	1	2,982
Banks, Development Finance Institutions, Non-Banking Finance Institutions, Insurance, Insurance Companies, Modarbas and Mutual Funds.		
	13	26,502,671
Executives	5	43,342
Trust	27	2,172,193
Corporate	65	55,368,281
Individuals	683	9,290,524
	798	103,671,790

**MCB CASH MANAGEMENT OPTIMIZER
PATTERN OF UNIT HOLDING (SIZE)
AS AT JUNE 30, 2011**

No. of Unit Holders	Units Range	Total Units Held
550	1 - 10000	1,536,732
168	10001 - 100000	4,784,391
57	100001 - 1000000	20,179,889
23	1000001 - onwards	77,170,779
<u>798</u>		<u>103,671,790</u>

MCB CASH MANAGEMENT OPTIMIZER PERFORMANCE TABLE

	June 30, 2011	June 30, 2010
Total Net Assets Value – Rs. in million	10,393	6,525
Net Assets value per unit – Rupees	100.2502	101.8903
Highest offer price per unit	103.1651	103.3422
Lowest offer price per unit	100.0155	100.0276
Highest Redemption price per unit	103.1651	103.3422
Lowest Redemption price per unit	100.0155	100.0276
Distribution per unit (interim)* – Rs. (23 Jan-10)		3.3422
Net Assets Value before distribution		103.3422
Net Assets Value after distribution		100
Distribution per unit (interim) – Rs. (22-Apr-10)		2.6092
Net Assets Value before distribution		102.6092
Net Assets Value after distribution		100
Distribution per unit (Annual) – Rs. (30 Jun-10)		1.8903
Net Assets Value before distribution		101.8903
Net Assets Value after distribution		100
Distribution per unit (Annual) – Rs. (15 Oct-10)	3.1651	
Net Assets Value before distribution	103.1651	
Net Assets Value after distribution	100	
Distribution per unit (Annual) – Rs. (27 Jan-11)	3.1311	
Net Assets Value before distribution	103.1311	
Net Assets Value after distribution	100	
Distribution per unit (Annual) – Rs. (26 Apr-11)	2.8662	
Net Assets Value before distribution	102.8662	
Net Assets Value after distribution	100	
Distribution per unit (Annual) – Rs. (22 Jun-11)	1.7578	
Net Assets Value before distribution	101.7578	
Net Assets Value after distribution	100	
Average Annual Return - %		
One year	11.6	10.7
Two year	11.8	N/a
Three year (inception date September 30, 2009)	NA	N/a
Net Income for the period – Rs. in million	1062.925	552.425
Income Distribution – Rs. in million	1036.982	552.425
Accumulated Capital Growth – Rs. in million		-
Weighted average Portfolio Duration (days)	71	57

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.