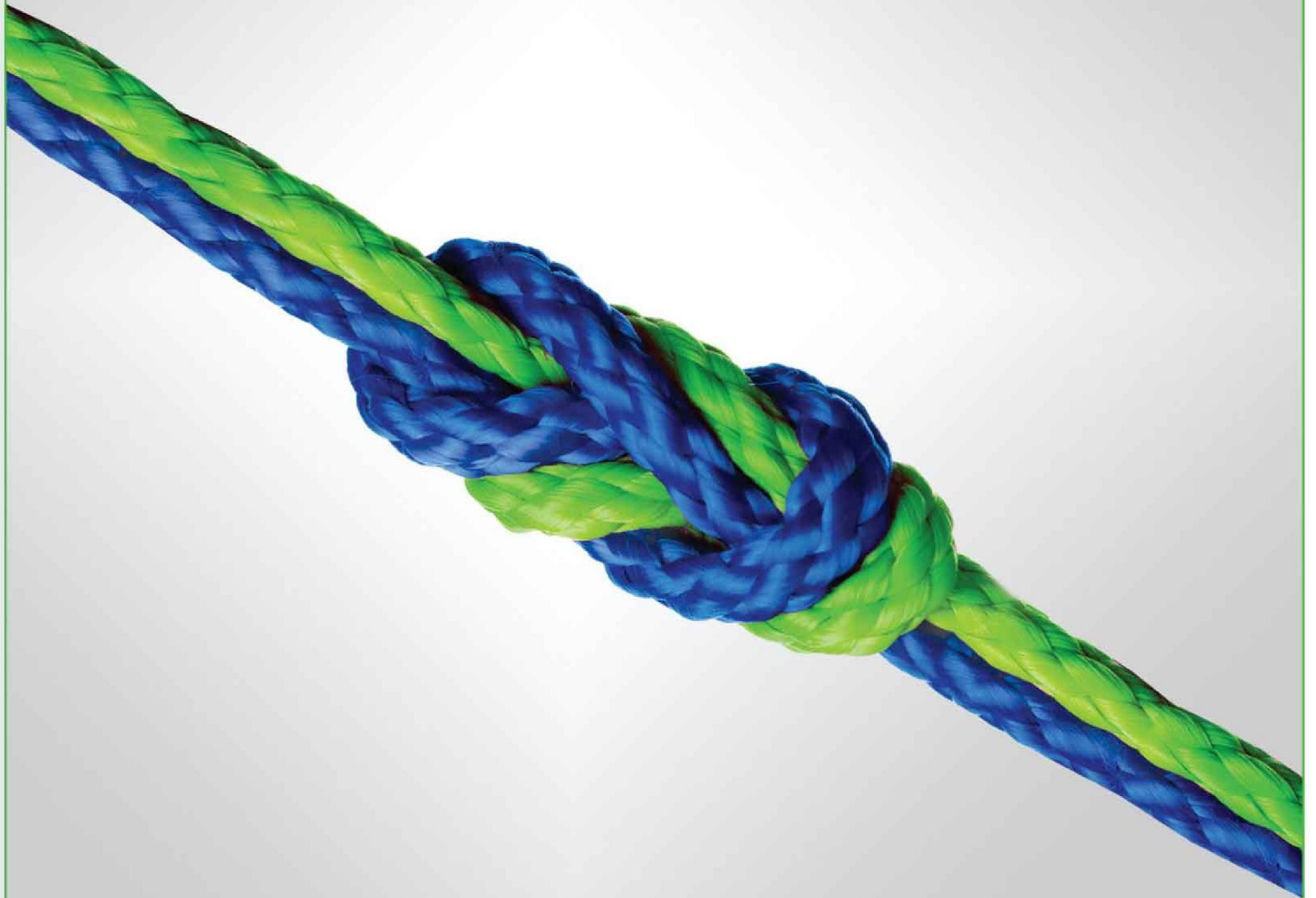


Pakistan Islamic  
Pension Fund

# Annual Report 2011



Arif Habib Investments Limited  
A Subsidiary of  
MCB Bank Limited

# PAKISTAN ISLAMIC PENSION FUND

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# PAKISTAN ISLAMIC PENSION FUND FUND'S INFORMATION

## **Pension Fund Manager**

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

## **Board of Directors of the Pension Fund Manager**

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 Pension Fund Manager**

Mr. Muhammad Saqib Saleem

## **Audit Committee**

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

## **Trustee**

MCB Financial Services Limited (MCBFSL)  
3rd Floor, Adamjee House,  
I.I. Chundrigar Road, Karachi.

## **Bankers**

Bank AL Habib Limited  
Summit Bank(formerly :Arif Habib Bank Limited)  
Deutsche Bank A.G.  
Standard Chartered Bank (Pakistan) Limited  
The Bank Of Punjab

## **Auditors**

M . Yousuf Adil Saleem & Co. - Chartered Accountants  
Cavish Court, A-35, Block 7 & 8,  
KCHSU, Sharae Faisal, Karachi-75350

## **Legal Advisor**

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

## **Registrar**

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

# PAKISTAN ISLAMIC PENSION FUND REPORT OF THE DIRECTOR OF THE FUND MANAGER

The Board of Directors of Arif Habib Investments Limited, the Management Company of Pakistan Islamic Pension Fund (PIPF), is pleased to present the Annual Report on the affairs of PIPF for the year ending 30th June, 2011.

## **Economy & Money Market Overview and Outlook**

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. However, in absence of new credit creation, existing Term Finance Certificates (TFC) market became liquid and bank issued TFCs commanded improvement in prices during the period under review. Moreover, GoP Ijarah Sukuk (GIS) has also emerged as an attractive instrument during the year for conventional markets in general and Shariah compliant markets in particular. In addition of giving strong interest yield, GIS has also provided potential for capital gains due to its demand-supply gap and therefore has seen significant activities during the year in both primary as well as secondary markets.

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. In this fast changing interest rates scenario, the fund will remain committed towards superior quality assets while continue to exploit attractive opportunities in the market.

## **Equities Market Overview and Outlook**

Equities recorded second consecutive year of stellar performance with the KSE-100 index rising by about 29% in FY11 on top of 36% return posted in FY10. Pakistan equity market also remained the 3rd best performing market in the region after Indonesia and Thailand which posted 33% and 31% returns respectively.

KSE -100 Index made the fresh start with 76 points plus at 9,740 on its 1st day and closed the first month in same zeal at +8.2%. However the momentum halted abruptly as severe floods hit across provinces causing substantial damages and losses. Economic gloom pulled the index in the negative territory making a low of 9,488 on August 17, 2010. However persistent foreign inflow amounting to USD 105 m in the first quarter, turned the sentiment at KSE positive and second quarter proved to be the best performing period of the year and about 74% of the total annual performance could be attributed to this period. With the exception of initial period, market remained lackluster during most part of the 2nd half of the year where major dampeners included the political unrest in MENA region and highly volatile US-Pak diplomatic relationship. KSE-100 index closed the year at 12,496, down 2.1% from its year high of 12,768 made on Jan 17, 2011; overall 29% up YoY.

# PAKISTAN ISLAMIC PENSION FUND

## REPORT OF THE DIRECTOR OF THE FUND MANAGER

While returns remained impressive, volumes were unprecedentedly low. In its first year, post imposition of CGT, retail investors remained largely inactive as foreign investors and local institutions including Banks, Corporates and Mutual Funds demonstrated marginal interest. During the year, average daily turnover declined significantly to about 95 million shares, down 40% on YoY basis. KSE Management attempted to enthruse the market by introducing leverage products including Margin Trading System and Market Financing System and made few modifications in futures market, but to no avail.

Macro-economic factors challenging the KSE performance included strong detriments like capital gains tax, a cumulative 150 basis points increase in discount rate in an already high interest rate environment, economic loss due to floods and higher Oil prices and lower foreign flows. Some of the positives that propelled KSE in positive territory included strong external account position on the back of increased textile exports, flood-related foreign aids, coalition support fund and record-high remittances ultimately translating in a relatively stable exchange rate and record FX reserves. Moreover, strong liquidity from booming rural economy and persistent foreign interest in domestic equities, which continued to trade at a discount of around 35-40% despite strong dividend yield (near 7%) and corporate earnings growth (+20% YoY) helped the market to exhibit strong performance.

Sector wise, Food Producers, Metals and Mining, Beverages and Chemicals outperformed the KSE-100 index while the major sectors and index heavy weights including Banks and Oil & Gas Sectors remained among the underperformers while best performing stocks included Nestle, FFC, FFBL, POL and LOTPTA.

We believe that the global economic environment would remain jittery in the near term, which could provide further hiccups to the international as well as local equity markets. An unexpected 50 bps DR cut by the SBP during the early part of FY12 bodes well for the market, however, a ballooning fiscal deficit would continue to 'crowd out' domestic capital markets. Strong earnings growth, sizeable discount to regional markets, high dividend yields and relatively cheaper PE valuations warrant decent returns for long term investors in our view.

### Fund's Performance

The investment objective of the fund is to seek steady returns with a moderate risk for investors by investing in a portfolio of Shariah compliant equity, short medium term debt and money market instruments. PIPF is a flexible Shariah compliant savings cum investment plan under the Voluntary Pension System which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, and allows special tax rebate on the contributions under this system.

During the year, equity sub-fund generated a return of 21.3% while it's since inception return stands at 8.8%. Money market sub-fund generated an annualized return of 6.9% and it's since inception return stands at 6.9%. Debt sub-fund generated an annualized return of 8.8% during the year while since inception return of the fund stands at 9.7%.

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

Performance Information (%)	Equity	Money Market	Debt
Last twelve Months Return	21.3%	6.9%	8.8%
Since Inception	8.8%	6.9%	9.7%

### Equity sub-fund

The net assets of the sub-fund as at June 30, 2011 stood at Rs 40.36 million as compared to Rs 31.78 million at the beginning of the year, registering a positive change of 26.99%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 108.97 as compared to Rs 89.83 at the beginning of the year, registering an increase of Rs 19.14 per unit.

### Debt sub-fund

The net assets of the sub-fund as at June 30, 2011 stood at Rs 47.45 million as compared to Rs 41.69 million at the beginning of the year, registering a positive change of 13.82%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 135.67 as compared to Rs 124.66 at the beginning of the year, registering an increase of Re. 11.01 per unit.

### Money Market sub-fund

The net assets of the sub-fund as at June 30, 2011 stood at Rs 39.57 million as compared to Rs 36.33 million at the beginning of the year, registering a positive change of 8.92%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 125.33 as compared to Rs 117.23 as at the beginning of the year, registering an increase of Re. 8.10 per unit.

# PAKISTAN ISLAMIC PENSION FUND REPORT OF THE DIRECTOR OF THE FUND MANAGER

## Earning per Unit (EPU)

EPU of the sub funds for the year ended June 30, 2011 are as follows:

Sub-Fund	EPU (Rs)
Equity	5.32
Debt	14.17
Money Market	8.91

## Management's Comment to Modification in Audit report

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

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

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

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

In view of the afore mentioned developments, the Management Company firmly believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. However the auditor of the Fund because of pending adjudication of the Constitutional petition in Honourable Sindh High Court and included an emphasis of matter paragraph in auditor' report highlighting the said issue.

The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 0.405 million.

## External Auditors

The Fund's external auditors, M. Yousuf Adil Saleem & 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 M. Yousuf Adil Saleem & Co., Chartered Accountants, as auditors of the Fund for the year ending June 30, 2012.

## Acknowledgement

The Board of Directors of the Pension Fund Manager 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 and MCB Financial Services (Pvt.) Limited (the Trustee of the Fund) for their continued cooperation, guidance, substantiation and support. The Board also acknowledges the efforts put in by the team of the Pension Fund Manager for the growth and meticulous management of the Fund.

## For and on behalf of the board

Yasir Qadri  
Chief Executive

Karachi: 20th September, 2011

# PAKISTAN ISLAMIC PENSION FUND REPORT OF THE FUND MANAGER

## Fund Type and Category

Pakistan Islamic Pension Fund PIPF is an Open-End Shariah Compliant Voluntary Pension Scheme.

## Investment Objective

The investment objective of the fund is to seek steady returns with a moderate risk for investors by investing in a portfolio of equity, short medium term debt and money market instruments, which are Shariah compliant.

## Investment Strategy

PIPF is a flexible savings cum investment plan under the Voluntary Pension System which facilitates all individuals who are Pakistani nationals, to save for their retirement in a systematic way, and allows special tax rebate on the contributions under this system. The investor has a choice between various allocation schemes that PIPF offers, each of which is invested in different proportions in the three Sub Funds: Equity, Debt and Money Market. Equity Sub Fund invests up to 90% of its assets in equity securities. Sector/Stock selection is done on the basis of fundamental outlook and DCF valuations and meeting Shariah compliance criteria. Debt Sub Fund invests in Sukuk and other Shariah compliant debt instruments of duration of less than 5 years. Money Market Sub Fund invests in short dated Shariah compliant money market instruments.

## Manager's Review

### Equity Sub-fund

During the year, equity sub-fund generated a return of 21.3% as against KSE-30 index return of 21.2%. As of end-June 2011, about 53% exposure was in three sectors namely Oil & Gas, General Industrials and Chemicals. POL, HUBC, LUCK, FFC, PPL, MEBL were amongst the major return contributors while PKGS and PSO were major return dampeners.

Sector-wise, the equity sub-fund increased its exposure within Oil & Gas from 16% at the beginning of the year to around 24% by end-June 2011 by increasing its holding in POL and PSO during the year. The exposure towards General Industrials was also increased during the year to 16% as of end-June 2011 from around 12% at the beginning of the year amid increase in exposure towards Thal Limited. The exposure towards Chemicals, however, was reduced from around 24% to 13% by end-June 2011 as the fund reduced its holdings in ICI, FFC and FFBL.

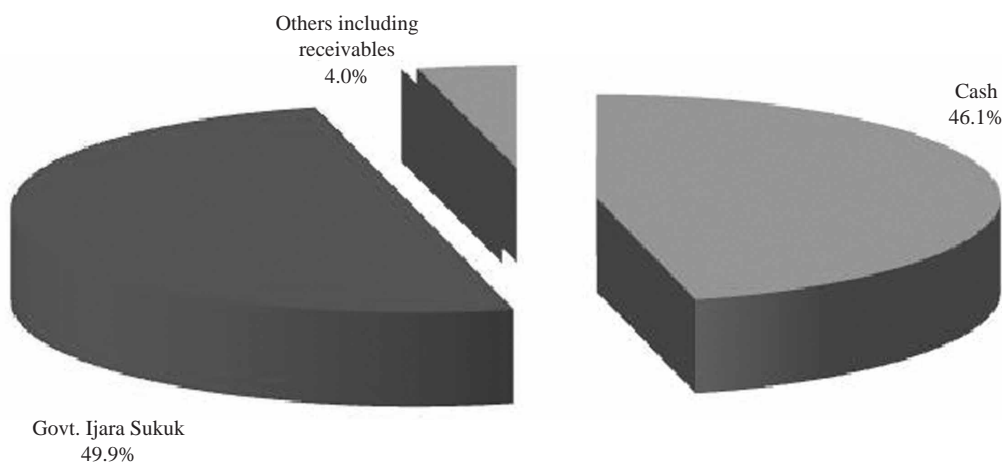
### Money Market Sub-fund

The money market sub-fund made an annualized return of 6.9% during the year. The sub-fund increased its exposure significantly in GoP Ijarah Sukuk (GIS) to around 50% by end-June 2011 as against 28% at the beginning of the year. The exposure towards cash and bank deposits was, however, reduced to 46% by end-June 2011 as against 70% a year ago. The net assets of the sub-fund increased to around Rs. 39.57 million by end-June 2011 as against Rs. 36.33 million at the beginning of the year.

### Debt Sub-fund

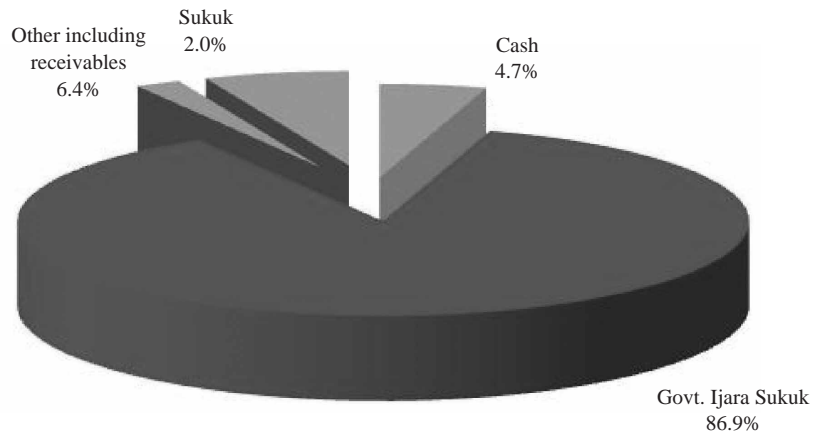
The debt sub-fund generated an annualized return of 8.8% during the year. The sub-fund was largely invested in GoP Ijarah Sukuk (GIS) due to its attractive risk-return profile and capital gains potential. The sub-fund maintained an exposure around 87% in GoP Ijarah Sukuk as of end-June 2011. The net assets of the sub-fund increased to Rs. 47.45 million as against Rs. 41.69 million at the beginning of the year.

Asset Allocation (MM Sub-fund) as on June 30, 2011 (% of total assets)

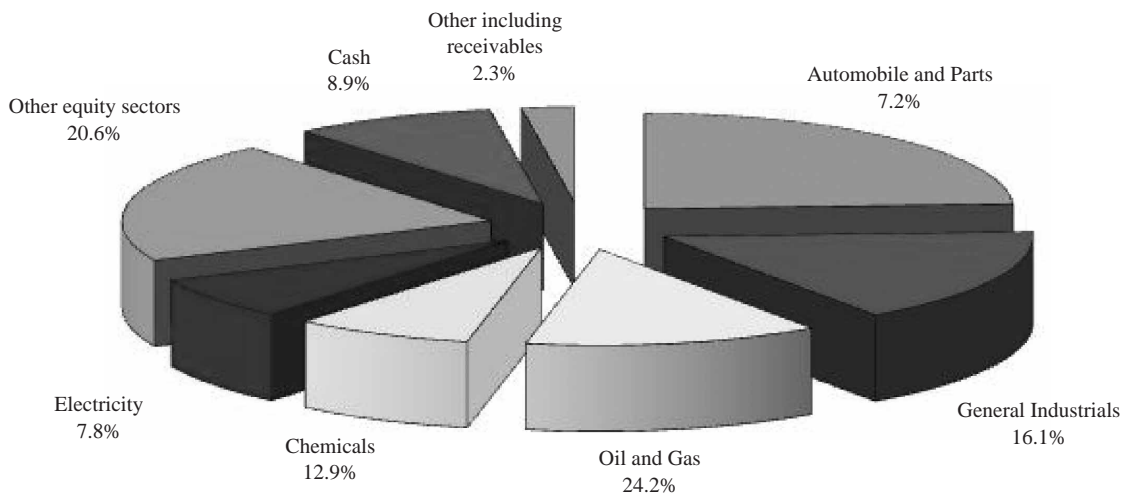


# PAKISTAN ISLAMIC PENSION FUND REPORT OF THE FUND MANAGER

Asset Allocation (Debt Sub-fund) as on June 30, 2011 (% of total assets)



Asset Allocation (Equity Sub-fund) as on June 30, 2011 (% of total assets)




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Syed Akbar Ali, CFA  
Fund Manager

Karachi: September 20, 2011



# PAKISTAN ISLAMIC PENSION FUND REPORT OF THE TRUSTEE TO THE PARTICIPANTS

## Report of the Trustee Pursuant to Rule 31 (h) of Voluntary Pension System Rules, 2005

Pakistan Islamic Pension Fund was established under a Trust Deed executed between Arif Habib Investments Limited, as the Pension Fund Manager and MCB Financial Services Limited, as the Trustee. The trust deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on 24th July, 2007.

1. In our opinion, Arif Habib Investments Limited, the Pension Fund Manager of Pakistan Islamic Pension Fund has in all material respects managed the Fund during the year ended 30th June 2011 in accordance with the provisions of the following:
  - (i) investment policy prescribed by the Commission and borrowing limitations; set out in the trust deed, are complied with;
  - (ii) the methods adopted by the Pension Fund Manager in calculating the values of units of each sub-fund of the pension fund, were adequate and in accordance with the provisions of the trust deed, or as specified by the Commission;
  - (iii) the issued, redemption and cancellation of units, were as per the provisions of the trust deed and the VPS Rules, and
  - (iv) any other matter required under the trust deed of the pension fund and the VPS Rules.

For the purpose of information, the attention of unit holders is drawn towards auditor's report and note 7.1 to the financial statements which refer to an uncertainty relating to the future outcome of the litigation regarding contribution to Worker's Welfare Fund which is currently pending adjudication at the honorable High Court of Sindh.

**Karachi: September 26, 2011**

**Khawaja Anwar Hussain**  
Chief Executive Officer  
**MCB Financial Services Limited**

# PAKISTAN ISLAMIC PENSION FUND REPORT OF THE SHARIAH ADVISOR

I, the Shariah Advisor of the Fund, am pleased to issue this report in accordance with the clause 4.19 of the Trust Deed of the Fund. The scope of the report is to express an opinion on the Shariah compliance of the Fund's activities.

It is the responsibility of M/s Arif Habib Investments Limited, the pension fund manager of the Fund, to establish and maintain a system of internal controls to ensure compliance with the Shariah guidelines. My responsibility is to express an opinion, based on my review of the representations made by the management, to the extent where such compliance can be objectively verified.

For Equity sub-fund, I have advised a criteria for screening equities in the local stock market, on the basis of the following; (1) Nature of business, (2) Interest bearing debt in relation to the total assets, (3) Illiquid assets in relation to the total assets, (4) Investment in non-Shariah complaint activities to total assets (5) Income from non-complaint investment to Gross revenues and (6) Net liquid assets per share vs. share price.

For Debt & Money Market sub funds, I have prescribed a criteria and procedures to be followed in ensuring Shariah compliance in every investment.

As part of my mandate as Shariah Advisor, I have reviewed the following, during the period;

- The modes of investment of the Fund's property and its compliance with the Shariah guidelines.
- Shariah compliance of new investment avenues proposed by AHIL.

In the light of the above scope, I hereby certify that all the provisions of the scheme and investments made by the Fund (including all three sub funds) for the period ended 30th June 2011 are in compliance with the Shariah principles.

The pension fund manager has been directed to set aside as charity, amount earned as interest from conventional banks. In addition, there are investments made by the PIPF where Investee companies have earned a part of their income from non-complaint sources (e.g. interest income). In such cases, the management company has been directed to set aside as charity such proportion of the income from Investee companies in order to purify the earnings of the Fund.

During the year an amount of Rupees 41,372 (consists of Rupees 35,462 and Rupees 5,910 for PIPF Equity and Money Market Sub-Fund respectively) was transferred to the charity account.

May Allah bless us with Tawfeeq to accomplish these cherished tasks, make us successful in this world and in the Hereafter, and forgive our mistakes.

Karachi  
Dated: September 27, 2011

Dr Ejaz Samadani  
Shariah Advisor

# **PAKISTAN ISLAMIC PENSION FUND SHARIAH COMPLIANCE AUDITOR'S REPORT TO THE PENSION FUND MANAGER**

## **INDEPENDENT ASSURANCE PROVIDER'S REPORT ON SHARIAH COMPLIANCE TO THE UNITHOLDERS**

We have performed our independent assurance engagement of Pakistan Islamic Pension Fund (the Fund) to assess the Fund's compliance with the Shariah guidelines prescribed by the Shariah Adviser of Pakistan Islamic Pension Fund for the year ended June 30, 2011.

### **Management Company's responsibility**

Management Company of the Fund is responsible for the appointment of Shariah Adviser of the Fund and for compliance with the Shariah guidelines prescribed by the Shariah Adviser. This responsibility includes: designing, implementing and maintaining internal control to ensure compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund.

### **Responsibility of independent assurance providers**

Our responsibility is to express our conclusion on the compliance based on our independent assurance engagement, performed in accordance with the International Standards on Assurance Engagement (ISAE 3000) 'Assurance Engagements other than Audits or Reviews of Historical Financial Information'. This standard requires that we comply with ethical requirements and plan and perform the engagement to obtain reasonable assurance whether the Fund has complied with the guidelines issued by the Shariah Adviser.

The procedures selected depend on our judgement, including the assessment of the risks of material non-compliances with the Shariah guidelines. In making those risk assessments; we have considered internal controls relevant to the entity's compliance with the guidelines in order to design our procedures that are appropriate in the circumstances, for gathering sufficient appropriate evidence to determine that the Fund was not materially non-compliant with the guidelines. Our engagement was not for the purpose of expressing an opinion on the effectiveness of entity's internal control.

### **Conclusion**

In our opinion, the Fund was, in all material respect, in compliance with the Shariah guidelines issued by the Shariah Adviser of the Fund for the year ended June 30, 2011.

### **Chartered Accountants**

**Karachi**

**Date: September 27, 2011**

# PAKISTAN ISLAMIC PENSION FUND

## AUDITORS' REPORT TO THE PARTICIPANTS

We have audited the annexed financial statements comprising:

- i. Balance Sheet;
- ii. Income Statement
- iii. Cash Flow Statement;
- iv. Statements of Movement in Participants' Sub-Fund;
- v. Statement of Investments by Category;
- vi. Statement of Investment Portfolio;
- vii. Statement of Other Investments;
- viii. Contribution Table;
- ix. Statement of Number Of Units in Issue; and
- x. Financial Performance Table

of **Pakistan Islamic Pension Fund** as at June 30, 2011 together with the notes forming part thereof for the year then ended.

It is the responsibility of the Pension Fund Manager to establish and maintain a system of internal control and prepare and present the financial statements of the Fund in conformity with the International Accounting Standard notified under sub-section (3) of section 234 of the Companies Ordinance, 1984, and technical releases issued by the Institute of Chartered Accountants Of Pakistan from time to time and requirements of the Voluntary Pension System Rules, 2005 and the Companies Ordinance, 1984. Our responsibility is to express an opinion on these statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amount and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimated made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The financial statements for the year ended June 30, 2010 were audited by another firm of Chartered Accountants whose report dated August 03, 2010 contained a qualified opinion, on the basis of not recording provision against Workers' Welfare Fund.

In our opinion:

- a. the financial statements prepared for the year have been properly drawn up in accordance with the relevant provisions of the Trust Deed and the Voluntary Pension System Rules, 2005 including the guidelines thereunder;
- b. a true and fair view is given of the financial position of the Islamic Pension Fund as at June 30,2011 and of the transaction of the Fund for the year ended June 30, 2011 in accordance with the approved accounting standards as applicable in Pakistan:
- c. the allocation and reallocation of units of the sub-funds for all the participants have been made according to the Voluntary Pension System Rules, 2005;
- d. the cost and expenses debited to the Fund and apportionment of expenses between sub-funds are as specified in the constitutive documents of the Islamic Pension Fund;
- e. proper books and records have been kept by the Fund and the financial statements prepared are in agreement with the Islamic Pension Fund's books and records;
- f. we were able to obtain all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of the audit; and
- g. no Zakat was deductible at source under the Zakat Ushr Ordinance, 1980.

We draw attention to note 7.1 to the accompanying financial statements which refers to an uncertainty relating to the future outcome of the litigation regarding contribution to the Workers' Welfare Fund which is currently pending adjudication at the Honorable High Court of Sindh. Our opinion is not qualified in respect of this matter.

**Chartered Accountants**

**Engagement Partner**

Mushtaq Ali Hirani

Dated: September 21, 2011

Karachi

# **FINANCIAL STATEMENTS**

# PAKISTAN ISLAMIC PENSION FUND BALANCE SHEET

AS AT JUNE 30, 2011

	Note	2011			2010	
		PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		Total
-----Rupees-----						
<b>ASSETS</b>						
Balances with banks	4	3,677,704	2,301,101	18,541,031	24,519,836	20,347,990
Investments - (as per Statement of Investment by category)		36,639,561	43,151,084	20,079,000	99,869,645	86,469,751
Dividend receivable		202,960	-	-	202,960	85,400
Profit receivable		-	1,599,072	867,530	2,466,602	1,855,643
Formation cost		-	-	-	-	30,387
Deposit and other receivables	5	726,918	1,477,240	747,769	2,951,927	1,588,094
<b>TOTAL ASSETS</b>		<b>41,247,143</b>	<b>48,528,497</b>	<b>40,235,330</b>	<b>130,010,970</b>	<b>110,377,265</b>
<b>LIABILITIES</b>						
<b>Payable against redemption of units</b>		<b>643,428</b>	<b>821,571</b>	<b>449,353</b>	<b>1,914,352</b>	<b>-</b>
Payable to Pension Fund Manager		50,769	57,435	48,502	156,706	133,361
Payable to Trustee		6,697	7,577	6,398	20,672	17,715
Payable to Auditors		93,831	110,328	95,777	299,936	295,001
Annual fee payable to the Securities and Exchange Commission of Pakistan		12,348	14,471	12,555	39,374	34,179
Other liabilities	6	80,866	64,501	54,440	199,807	96,005
<b>TOTAL LIABILITIES</b>		<b>887,939</b>	<b>1,075,883</b>	<b>667,025</b>	<b>2,630,847</b>	<b>576,261</b>
<b>NET ASSETS</b>		<b>40,359,204</b>	<b>47,452,614</b>	<b>39,568,305</b>	<b>127,380,123</b>	<b>109,801,004</b>
<b>Contingencies and commitments</b>	7					
<b>Participants Sub-Funds (as per statement of movement in participants sub-funds)</b>		<b>40,359,204</b>	<b>47,452,614</b>	<b>39,568,305</b>		
<b>Number of Units in issue</b>		<b>370,360</b>	<b>349,777</b>	<b>315,724</b>		
<b>Net Asset Value</b>	3.8	<b>108.97</b>	<b>135.67</b>	<b>125.33</b>		

The annexed notes from 1 to 20. form an integral part of these financial statements.

For Arif Habib Investments Limited  
(Pension Fund Manager)

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND INCOME STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

Note	2011				2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
-----Rupees-----					
<b>INCOME</b>					
Capital Gain on sale of Investments	2,364,542	-	-	2,364,542	5,420,156
Dividend Income	2,370,585	-	-	2,370,585	1,666,364
Profit on deposit accounts with bank	21,879	353,028	648,755	1,023,662	2,210,065
Income from Government Ijarah Sukuk	-	4,560,229	1,692,451	6,252,680	4,870,665
Income from Certificate of Investment	-	-	1,046,793	1,046,793	34,236
Income from Term Deposit Receipt	-	-	120,063	120,063	34,722
Income from Term Finance Certificate - Sukuk	-	327,208	-	327,208	148,533
Impairment loss on listed equity securities classified as "available for sale" 13	(1,868,624)	-	-	(1,868,624)	(1,123,677)
Element of (loss) / income and capital (losses) / gains included in prices of units issued less those in units redeemed	(105,253)	522,984	131,662	549,393	(41,299)
<b>Total Income</b>	<b>2,783,129</b>	<b>5,763,449</b>	<b>3,639,724</b>	<b>12,186,302</b>	<b>13,219,765</b>
<b>EXPENSES</b>					
Remuneration of Pension Fund Manager 9	555,633	651,186	564,986	1,771,805	1,538,070
Remuneration of Trustee 10	73,510	86,161	74,757	234,428	204,719
Annual fee - Securities and Exchange					
Commission of Pakistan (SECP) 11	12,347	14,471	12,555	39,373	34,180
Auditors' remuneration 12	120,242	142,926	124,266	387,434	404,535
Custody and settlement charges	13,815	8,809	6,000	28,624	23,593
Securities transaction cost	30,077	-	-	30,077	47,482
Amortisation of formation cost	10,129	10,129	10,129	30,387	149,862
Legal and professional charges	43,059	51,817	45,124	140,000	80,351
Bank charges and other expenses	687	3,316	495	4,498	7,103
<b>Total Expenses</b>	<b>859,499</b>	<b>968,815</b>	<b>838,312</b>	<b>2,666,626</b>	<b>2,489,895</b>
<b>Net income before taxation</b>	<b>1,923,630</b>	<b>4,794,634</b>	<b>2,801,412</b>	<b>9,519,676</b>	<b>10,729,870</b>
Provision for taxation - current 3.10	(243)	(54,726)	(37,233)	(92,202)	(36,490)
<b>Net income after taxation</b>	<b>1,923,387</b>	<b>4,739,908</b>	<b>2,764,179</b>	<b>9,427,474</b>	<b>10,693,380</b>
<b>Other comprehensive income/(loss)</b>					
Unrealised gain / (loss) on revaluation of investments classified as available for sale - net 13	4,896,209	(527,080)	(110,000)	4,259,129	1,119,034
<b>Total comprehensive income for the year</b>	<b>6,819,596</b>	<b>4,212,828</b>	<b>2,654,179</b>	<b>13,686,603</b>	<b>11,812,414</b>
<b>Earnings per unit</b> 14	<b>5.32</b>	<b>14.17</b>	<b>8.91</b>		

The annexed notes from 1 to 20, form an integral part of these financial statements.

For Arif Habib Investments Limited  
(Pension Fund Manager)

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND CASH FLOW STATEMENT

FOR THE YEAR ENDED JUNE 30, 2011

	2011			Total	2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
-----Rupees-----					
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>					
Net income before taxation	1,923,630	4,794,634	2,801,412	9,519,676	10,729,870
<b>Adjustments for non cash items:</b>					
Amortisation of formation cost	10,129	10,129	10,129	30,387	149,862
Capital gain on sale of investments	(2,364,542)	-	-	(2,364,542)	(5,420,156)
Impairment loss on financial assets classified as "available for sale"	1,868,624	-	-	1,868,624	1,123,677
Element of loss / (income) and capital losses / (gains) in prices of units issued less those in units redeemed	105,253	(522,984)	(131,662)	(549,393)	41,299
	(380,536)	(512,855)	(121,533)	(1,014,924)	(4,105,318)
<b>(Increase) / decrease in assets</b>					
Investments - net	(3,491,984)	(9,325,863)	4,173,000	(8,644,847)	(33,400,672)
Dividend receivable	(117,560)	-	-	(117,560)	84,150
Profit receivable	4,673	(400,852)	(214,780)	(610,959)	(842,767)
Deposit and other receivables	459,176	(1,276,240)	(546,769)	(1,363,833)	(1,285,094)
	(3,145,695)	(11,002,955)	3,411,451	(10,737,199)	(35,444,383)
<b>Increase / (Decrease) in liabilities</b>					
Payable against redemption of units	643,428	821,571	449,353	1,914,352	-
Payable to Pension Fund Manager	12,030	7,209	4,106	23,345	22,014
Payable to Trustee	1,551	905	501	2,957	2,870
Payable to auditors	7,280	1,632	(3,977)	4,935	75,000
Annual fee payable to Securities and Exchange Commission of Pakistan	2,349	1,870	976	5,195	5,083
Other liabilities	13,192	64,501	26,438	104,131	(67,970)
	679,830	897,688	477,397	2,054,915	36,997
Tax paid	(243)	(54,888)	(37,400)	(92,531)	(34,419)
<b>Cash (used in) / generated from operating activities</b>	(923,014)	(5,878,376)	6,531,327	(270,063)	(28,817,253)
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Receipt of contribution	4,847,897	5,369,110	1,844,675	12,061,682	6,428,886
Payment against redemptions	(2,982,137)	(3,468,157)	(1,169,479)	(7,619,773)	(726,893)
Reallocation of units between sub-funds	(212,330)	172,000	40,330	-	-
<b>Cash generated from financing activities</b>	1,653,430	2,072,953	715,526	4,441,909	5,701,993
Net increase / (decrease) in cash and cash equivalent	730,416	(3,805,423)	7,246,853	4,171,846	(23,115,260)
Cash and cash equivalent at beginning of the year	2,947,288	6,106,524	11,294,178	20,347,990	43,463,250
Cash and cash equivalent at end of the year	<b>3,677,704</b>	<b>2,301,101</b>	<b>18,541,031</b>	<b>24,519,836</b>	<b>20,347,990</b>

The annexed notes from 1 to 20. form an integral part of these financial statements.

**For Arif Habib Investments Limited  
(Pension Fund Manager)**

Chief Executive

Director



# PAKISTAN ISLAMIC PENSION FUND STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB-FUND

FOR THE YEAR ENDED JUNE 30, 2011

	2011				2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	-----Rupees-----				
Net assets at beginning of the year	31,780,925	41,689,817	36,330,262	109,801,004	92,245,298
Amount received on issue of units	4,847,897	5,369,110	1,844,675	12,061,682	6,428,886
Amount paid on redemption of units	(2,982,137)	(3,468,157)	(1,169,479)	(7,619,773)	(726,893)
Amount (paid) / received on reallocation of units	(212,330)	172,000	40,330	-	-
	1,653,430	2,072,953	715,526	4,441,909	5,701,993
Element of loss / (income) and capital losses / (gains) included in prices of units issued less those in units redeemed - net					
-amount representing loss / (income) and realised losses / (capital gains) - net	105,253	(522,984)	(131,662)	(549,393)	41,299
-amount representing unrealised (appreciation) / diminution in fair value of investments	(101,133)	(16,007)	(2,834)	(119,974)	(224,873)
	4,120	(538,991)	(134,496)	(669,367)	(183,574)
Unrealised gain / (loss) on revaluation of investments classified as available for sale - net	4,896,209	(527,080)	(110,000)	4,259,129	1,119,034
Element of income / (loss) and capital gains / (losses) included in prices of units issued less those in units redeemed - amount representing unrealised appreciation / (diminution) - net	101,133	16,007	2,834	119,974	224,873
Net income after taxation for the year	1,923,387	4,739,908	2,764,179	9,427,474	10,693,380
<b>Net assets at end of the year</b>	<b>40,359,204</b>	<b>47,452,614</b>	<b>39,568,305</b>	<b>127,380,123</b>	<b>109,801,004</b>

The annexed notes from 1 to 20. form an integral part of these financial statements.

**For Arif Habib Investments Limited  
(Pension Fund Manager)**

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND STATEMENT OF INVESTMENTS BY CATEGORY

AS AT JUNE 30, 2011

	2011			Total	2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
-----Rupees-----					
<b>Available for sale investments</b>					
Listed equity securities	36,639,561	-	-	36,639,561	27,755,450
Government Ijarah - Sukuk	-	42,176,076	20,079,000	62,255,076	42,781,532
Sukuk Certificates	-	975,008	-	975,008	1,732,769
Certificates of Investment	-	-	-	-	7,100,000
Term Deposit Receipts	-	-	-	-	7,100,000
<b>Investments at market value</b>	<b>36,639,561</b>	<b>43,151,084</b>	<b>20,079,000</b>	<b>99,869,645</b>	<b>86,469,751</b>

The annexed notes from 1 to 20. form an integral part of these financial statements.

**For Arif Habib Investments Limited  
(Pension Fund Manager)**

Chief Executive

Director



# PAKISTAN ISLAMIC PENSION FUND STATEMENT OF OTHER INVESTMENTS

**AS AT JUNE 30, 2011**  
**PIPF DEBT SUB-FUND**

Name of Investments	Face value				As at June 30, 2011			% of net assets
	As at July 1, 2010	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation/ (Diminution)	
-----Rupees-----								%
<b>GOVERNMENT IJARAH SUKUK</b>								
Government Ijarah Sukuk (3 years)	32,000,000	10,000,000	-	42,000,000	42,000,325	42,176,076	175,751	88.88
	<u>32,000,000</u>	<u>10,000,000</u>	<u>-</u>	<u>42,000,000</u>	<u>42,000,325</u>	<u>42,176,076</u>	<u>175,751</u>	
<b>Total</b>								
2011								2010
-----Rupees-----								
<b>Market Value</b>	<u>42,176,076</u>							<u>32,619,532</u>

Name of Investee Company	Face value				As at June 30, 2011			Market value % of net assets of the sub fund	Market value as % of total Investments	Percentage in relation to the size of the issue
	As at July 1, 2010	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation/ (Diminution)			
-----Rupees-----								%	%	%
<b>SUKUK CERTIFICATES</b>										
Pak Electron Limited - SUKUK (28-09-2007)	550	-	-	550	842,686	975,008	132,322	2.05	2.26	0.08
					<u>842,686</u>	<u>975,008</u>	<u>132,322</u>			
<b>Total</b>										
2011								2010		
-----Rupees-----										
<b>Market Value</b>	<u>975,008</u>							<u>1,732,769</u>		

The annexed notes from 1 to 20. form an integral part of these financial statements.

**For Arif Habib Investments Limited**  
**(Pension Fund Manager)**

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND STATEMENT OF OTHER INVESTMENTS

**AS AT JUNE 30, 2011**  
**PIPF MONEY MARKET SUB-FUND**

Name of Investments	Face value				As at June 30, 2011			% of net assets
	As at July 1, 2010	Purchases during the year	Sales / Matured during the year	As at June 30, 2011	Cost	Market value	Appreciation/ (Diminution)	
-----Rupees-----								%
<b>GOVERNMENT IJARAH SUKUK</b>								
Government Ijarah Sukuk (3 years)	10,000,000	10,000,000	-	20,000,000	20,027,000	20,079,000	52,000	50.75
	<b>10,000,000</b>	<b>10,000,000</b>	<b>-</b>	<b>20,000,000</b>	<b>20,027,000</b>	<b>20,079,000</b>	<b>52,000</b>	<b>50.75</b>

Total

2011      2010

-----Rupees-----

Market Value

20,079,000    10,162,000

## TERM DEPOSIT RECEIPTS

These include investment in term deposit receipts, of Meezan Bank Limited. These are short-term in nature, having a rate of profit ranging from 8.5% to 8.75% (2010: 8.5%)

The annexed notes from 1 to 20. form an integral part of these financial statements.

**For Arif Habib Investments Limited**  
**(Pension Fund Manager)**

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND CONTRIBUTION TABLE

AS AT JUNE 30, 2011

Contributions net of front end fee	-----2011-----						Total	2010
	PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund			
	Units	Rupees	Units	Rupees	Units	Rupees		
	-----Rupees-----							
<b>Opening</b>	353,786	34,793,489	334,436	33,960,806	309,914	31,103,468	99,857,763	94,155,770
Individuals - issue of units	46,714	4,847,897	40,696	5,369,110	15,062	1,844,675	12,061,682	6,428,886
redemption of units	(28,227)	(2,982,137)	(26,626)	(3,468,157)	(9,574)	(1,169,479)	(7,619,773)	(726,893)
reallocation of units	(1,913)	(212,330)	1,271	172,000	322	40,330	-	-
	16,574	1,653,430	15,341	2,072,953	5,810	715,526	4,441,909	5,701,993
<b>Total</b>	<b>370,360</b>	<b>36,446,919</b>	<b>349,777</b>	<b>36,033,759</b>	<b>315,724</b>	<b>31,818,994</b>	<b>104,299,672</b>	<b>99,857,763</b>

The annexed notes from 1 to 20. form an integral part of these financial statements.

For Arif Habib Investments Limited  
(Pension Fund Manager)

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND STATEMENT OF NUMBER OF UNITS IN ISSUE

FOR THE YEAR ENDED JUNE 30, 2011

	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
Total Units outstanding at beginning of the year	353,786	334,436	309,914
Add: Units issued during the year	46,714	40,696	15,062
Less: Units redeemed during the year	(28,227)	(26,626)	(9,574)
Add / Less: Units reallocated during the year	(1,913)	1,271	322
<b>Total units in issue at the end of the year</b>	<b>370,360</b>	<b>349,777</b>	<b>315,724</b>

The annexed notes from 1 to 20. form an integral part of these financial statements.

**For Arif Habib Investments Limited  
(Pension Fund Manager)**

Chief Executive

Director

# PAKISTAN ISLAMIC PENSION FUND FINANCIAL PERFORMANCE TABLE

**AS AT JUNE 30, 2011**  
**PIPF MONEY MARKET SUB-FUND**

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2011	June 30, 2010	% Change	June 30, 2011	June 30, 2010	% Change	June 30, 2011	June 30, 2010	% Change
	-----Rupees-----			-----Rupees-----			-----Rupees-----		
Net income / (loss) after taxation	1,923,387	4,753,340	(59.54)	4,739,908	3,650,217	29.85	2,764,179	2,289,823	20.72
Realised capital gains / (losses)	2,364,542	5,420,156	(56.38)	-	-	-	-	-	-
Unrealised gains / (losses)	4,896,209	121,881	3,917.20	(527,080)	835,153	(163.11)	(110,000)	162,000	(167.90)
Impairment loss on AFS securities	(1,868,624)	(1,123,677)	66.30	-	-	-	-	-	-
Dividend income / profit income	2,392,464	1,681,687	42.27	5,240,465	4,216,218	24.29	3,508,062	3,066,680	14.39
Net assets value per unit	108.97	89.83	21.31	135.67	124.66	8.83	125.33	117.23	6.91
Earnings / (loss) per unit	5.32	14.39	(63.01)	14.17	11.38	24.52	8.91	7.47	19.22
Transactions in securities									
Purchases	17,411,754	26,970,096	(35.44)	10,000,000	18,161,039	(44.94)	141,007,713	14,200,000	893.01
Sales	13,955,289	25,309,386	(44.86)	-	-	-	-	-	-
<b>Total contribution received</b>	<b>4,847,897</b>	<b>3,280,888</b>	<b>47.76</b>	<b>5,369,110</b>	<b>2,451,597</b>	<b>119.00</b>	<b>1,844,675</b>	<b>696,401</b>	<b>164.89</b>

Highest and lowest issue price of units during the year

PIPF Equity Sub Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund	
Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price	Lowest Issue price	Highest Issue price
-----Rupees-----					
88.90	114.94	124.72	135.67	117.27	125.33

The annexed notes from 1 to 20, form an integral part of these financial statements.

**For Arif Habib Investments Limited**  
**(Pension Fund Manager)**

Chief Executive

Director



# PAKISTAN ISLAMIC PENSION FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2011

### 1. LEGAL STATUS AND NATURE OF BUSINESS

Pakistan Islamic Pension Fund (the fund) was established under a Trust Deed executed between Arif Habib Investments Limited (AHIL) as Pension Fund Manager and Muslim Commercial Financial Services (Private) Limited (MCFSL) as Trustee. The Trust Deed was approved by the Securities and Exchange Commission of Pakistan (SECP) on July 24, 2007 and was executed on September 5, 2007 under the Voluntary Pension System Rules, 2005 (VPS Rules). During the year Habib Metropolitan Bank Limited has been appointed as new Trustee in place of MCFSL through a revised Trust Deed dated June 16, 2011 which was approved by SECP on July 7, 2011. PIPF is an open-ended pension fund consisting of three sub-funds namely PIPF Equity Sub-Fund, PIPF Debt Sub-Fund and PIPF Money Market Sub-Fund. Units are offered for public subscription on a continuous basis. The number of units of any sub-fund purchased out of contributions depends on the Allocation Scheme selected by the respective Participant out of the allocation schemes offered by the Pension Fund Manager.

Based on shareholders' resolutions of MCB-AMC and AHI the two companies have merged as of 27th June 2011 through operation of an order from the SECP issued under Section 282L of the Companies Ordinance 1984 (Order through letter no. SCD/NBFC-II/MCBAMCL & AHIL/271/2011 dated June 10, 2011). AHI being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. However, subsequent to the completion of the merger, the SECP issued an order postponing the effective date of the merger to 30th July 2011 (through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011). Since the merger had already taken effect prior to the subsequent order of the SECP. The Company has challenged the subsequent order of the SECP before the Honourable Sindh High Court on the ground that the same is illegal and that the merger was a past and closed transaction. The Honourable SHC has suspended the said order and instructed SECP to treat the companies as merged pending a final ruling. Irrespective of the final ruling, the Fund's assets and NAV remain unaffected.

The Pension Fund Manager has been licensed to act as a Pension Fund Manager under VPS Rules through a certificate of registration issued by the SECP. The registered office of the Pension Fund Manager is situated at Technocity Corporate Tower, Hasrat Mohani Road, Karachi, Pakistan.

### 2. BASIS OF PREPARATION

#### 2.1 Statement of compliance

These financial statements have been prepared in accordance with approved accounting standards as applicable in Pakistan. Approved accounting standards comprise of such International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) as are notified under the provisions of the Companies Ordinance, 1984, the requirements of the Trust Deed, the Voluntary Pension System Rules, 2005 and the directives issued by the SECP. Wherever the requirements of the Trust Deed, the VPS Rules, or the directives issued by the SECP differ with the requirements of IFRS, the requirements of the Trust Deed, the VPS Rules, or the requirements of the said directives prevail.

#### 2.2 Accounting convention

These financial statements have been prepared under the historical cost convention except for certain investments which have been marked to market and carried at fair value in accordance with the requirements of International Accounting Standards (IAS) 39: 'Financial Instruments: Recognition and Measurement'.

#### 2.3 Adoption of new International Financial Reporting Standards

In the current period, the Fund has adopted all new Standards issued by the IASB and as notified by the SECP that are relevant to its operations and effective for Fund's accounting period beginning on July 01, 2010.

*Effective from accounting period  
beginning on or after*

*Amendments to IAS 7 - Statement of Cash Flows*

*January 01, 2010*

The amendments (part of Improvements to IFRSs (2009)) specify that only expenditures that result in a recognised asset in the balance sheet can be classified as investing activities in the statement of cash flows. Consequently, any cash flows in respect of items that do not qualify for recognition as an asset (and, therefore, are recognised in profit or loss as incurred) would be reclassified from investing to operating activities in the statement of cash flows and prior year amounts restated for consistent presentation. There is no such classification in financial statements of the Fund for the year ended June 30, 2011.

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Following new and revised Standards and Interpretations have also been adopted in these financial statements. Their adoption has no significant impact on the amounts reported in these financial statements but may affect the accounting for future transactions or arrangements.

	<i>Effective from accounting period beginning on or after</i>
<i>Amendments to IFRS 2 - Share based Payment</i>	<i>January 01, 2010</i>
<i>Amendments to IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations</i>	<i>January 01, 2010</i>
<i>Amendments to IAS 7 - Statement of Cash Flows</i>	<i>January 01, 2010</i>
<i>IFRIC 19 - Extinguishing Financial Liabilities with Equity Instruments</i>	<i>July 01, 2010</i>

#### 2.4 New accounting standards and IFRS interpretations that are not yet effective

The following IFRS and Interpretations as notified by the SECP are only effective for accounting periods, beginning on or after the date mentioned against each of them :

	<i>Effective from accounting period beginning on or after</i>
<i>IFRS 9 - Financial Instruments</i>	<i>January 01, 2013</i>
<i>Amendments to IAS 24 - Related Party Disclosures</i>	<i>January 01, 2011</i>
<i>IAS 27 (Revised) – Separate Financial Statements</i>	<i>January 01, 2013</i>
<i>IAS 28 – Investment in Associates and Joint Ventures</i>	<i>January 01, 2013</i>
<i>IAS 12 - Income Taxes (Amendment)</i>	<i>January 01, 2012</i>
<i>IFRS 7 - Financial Instruments: Disclosures (Amendment)</i>	<i>July 01, 2011</i>
<i>IAS 1 - Presentation of Financial Statements (Amendment)</i>	<i>January 01, 2011</i>
<i>IAS 34 - Interim Financial Reporting (Amendment)</i>	<i>January 01, 2011</i>
<i>IFRIC 13 - Customer Loyalty Programmes (Amendment)</i>	<i>January 01, 2011</i>
<i>IFRIC 14 - IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction (Amendment)</i>	<i>January 01, 2011</i>

#### 2.5 Critical accounting estimates and judgments

The preparation of financial statements in conformity with approved accounting standards as applicable in Pakistan 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 areas where various assumptions and estimates are significant to the Fund's financial statements or where judgment was exercised in application of accounting policies principally relate to classification and valuation of investments (note 3.1).

# PAKISTAN ISLAMIC PENSION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### 3.1 Financial assets

###### 3.1.1 Classification

The management of the Fund classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables and available for sale. 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 market prices, interest rate movements or are financial assets included in a portfolio in which a pattern of short-term profit taking exists.

###### b) Loans and receivables

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

###### c) Available for sale

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

###### 3.1.2 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.

###### 3.1.3 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.

###### 3.1.4 Subsequent measurement

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

###### a) Basis of valuation of Sukuk Certificates

Investments of the Debt Sub-fund in sukuk certificates are valued in accordance with the methodology for valuation of debt securities prescribed in the SECP's circular no. 1/2009 dated January 06, 2009. Under the said directive, investments in sukuk certificates are valued on the basis of traded, thinly traded and non traded securities. Accordingly, investments in sukuk certificates have been valued at the rates determined and announced by MUFAP based on the methodology prescribed in the circular.

###### b) Basis of valuation of Government Ijarah Sukuks

The investments of the Debt Sub-fund and Money Market Sub-fund in Government Ijarah Sukuks are categorised in the 'available for sale' category and are carried at fair value.

# PAKISTAN ISLAMIC PENSION FUND

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### FOR THE YEAR ENDED JUNE 30, 2011

#### c) Basis of valuation of Equity Securities

The investments of the Equity Sub-Fund in equity securities are categorised in the 'available for sale' category and are valued on the basis of quoted market prices available at the stock exchange.

Net gains and losses arising from the difference between the carrying amount and the value determined in accordance with the criteria mentioned above in respect of financial assets at fair value through profit or loss are taken to the income statement.

Net gains and losses arising from the difference in value determined in accordance with the above mentioned criteria compared to the carrying amount in respect of available for sale financial assets are recognised in other comprehensive income until the available for sale financial assets are derecognised. At this time, the cumulative gain or loss previously recognised directly in other comprehensive income is reclassified from other comprehensive income to income statement as a reclassification adjustment.

Loans and receivables are carried at amortised cost.

#### 3.1.5 Impairment

The carrying amounts of the Fund's assets are assessed at each balance sheet date to determine whether there is any indication of impairment in any asset or group of assets. If such indication exists, the recoverable amount of the assets is estimated and impairment losses are recognised immediately as an expense in the income statement. In case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets, the cumulative loss measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in other comprehensive income is reclassified from other comprehensive income and recognised in the income statement. Impairment losses recognised on equity financial assets recognised in the income statement are not reversed through the income statement.

For 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 amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

#### 3.1.6 Derecognition

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

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

#### 3.1.7 Offsetting of financial assets and liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the balance sheet only 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.

#### 3.1.8 Reclassification

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

# **PAKISTAN ISLAMIC PENSION FUND**

## **NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED JUNE 30, 2011**

#### **3.2 Financial liabilities**

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

#### **3.3 Derivatives**

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

#### **3.4 Formation cost**

Formation cost represents expenditure incurred prior to the commencement of operations of the Fund. This is being amortised over a period of three years in accordance with the requirements set out in the Trust Deed of the Fund.

#### **3.5 Issue, allocation, reallocation and redemption of units**

Contribution received from a Participant is allocated to the sub-funds on the basis of the allocation scheme selected by the Participant out of the allocation schemes offered by the Pension Fund Manager. Units issued in respect of a sub-fund are recorded at the offer price of that sub-fund, determined by the Pension Fund Manager for the applications received by the distributors during business hours on that date. The offer price represents the net asset value per unit of the sub-fund as of the close of the business day plus the allowable sales load and any provision for duties and charges, if applicable. The sales load is payable to the investment facilitators, distributors and the Pension Fund Manager.

The Pension Fund Manager makes reallocation of the sub-fund units between the sub-funds at least once a year to ensure that the allocations of the sub-fund units of all the Participants are according to the allocation schemes selected by the Participants.

#### **3.6 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 per unit income and distribution of income already paid out on redemption.

The Fund records that portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period which pertains to unrealised gains / (losses) held in the Participant's Sub-Funds in a separate reserve account. 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.

#### **3.7 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.

#### **3.8 Net asset value per unit**

The net asset value (NAV) per unit, as disclosed on the balance sheet, is calculated by dividing the net assets of the Fund by the number of units of the sub-fund in circulation at the year end.

#### **3.9 Earnings per unit**

Earning Per Unit (EPU) for the year ended June 30, 2011, in respect of each sub-fund, has been calculated by dividing the net income after taxation of a sub-fund by weighted average number of units of the sub-fund in circulation during the year.

# PAKISTAN ISLAMIC PENSION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 3.10 Taxation

The income of Pakistan Islamic Pension Fund is exempt from tax under clause 57(3)(viii) of Part I of the Second Schedule to the Income Tax Ordinance, 2001. In view of the amendments made in the Finance Act, 2010, the Fund is required to pay minimum tax at the rate of 1 percent of turnover under section 113 of the Income Tax Ordinance, 2001. Accordingly, the management has charged provision in respect of minimum tax during the current year.

#### 3.11 Revenue recognition

Realised capital gains / losses arising on sale of investments are included in the Income Statement on the date at which the transaction takes place.

Unrealised capital gains / losses arising on marking to market of investments classified as ' Financial assets at fair value through profit or loss ' are included in the Income Statement in the period in which they arise.

Dividend income is recognised when the right to receive the payment is established.

Profit on bank deposits is recognised on an accrual basis.

Profit on investment is recognised on an accrual basis.

#### 3.12 Cash and cash equivalents

Cash and cash equivalents comprise of balances with banks.

#### 3.13 Foreign currency translation

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities such as equities at fair value through profit or loss are recognised in the Income Statement within the fair value net gain or loss.

#### 3.14 Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Fund operates. The financial statements are presented in Pakistani Rupees, which is the Fund's functional and presentation currency.

#### 4. BALANCES WITH BANKS

	-----2011-----				
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	2010
	-----Rupees-----				
Current accounts	393,495	-	-	393,495	3,890,050
Saving accounts	3,284,209	2,301,101	18,541,031	24,126,341	16,457,940
	<b>3,677,704</b>	<b>2,301,101</b>	<b>18,541,031</b>	<b>24,519,836</b>	<b>20,347,990</b>

Deposit accounts carry a rate of return ranging from 5.4% to 9%. (2010: 5.4% to 9%) per annum.

# PAKISTAN ISLAMIC PENSION FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

## 5. DEPOSIT AND OTHER RECEIVABLES

-----2011-----					2010	
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total			
-----Rupees-----						
Security deposit - Central Depository Company of Pakistan Limited	300,000	300,000	200,000	800,000	600,000	
Receivable against issue of units	425,918	1,176,240	546,769	2,148,927	-	
Other receivables	1,000	1,000	1,000	3,000	3,000	
Receivable against sale of investments	-	-	-	-	985,094	
	<u>726,918</u>	<u>1,477,240</u>	<u>747,769</u>	<u>2,951,927</u>	<u>1,588,094</u>	

## 6. OTHER LIABILITIES

Professional fee payable	43,059	51,817	45,124	140,000	-	
Donation / charity payable	35,462	-	5,910	41,372	92,922	
Tax payable	-	-	235	235	329	
Others	2,345	12,684	3,171	18,200	2,754	
	<u>80,866</u>	<u>64,501</u>	<u>54,440</u>	<u>199,807</u>	<u>96,005</u>	

## 7. CONTINGENCIES AND COMMITMENTS

### 7.1 CONTRIBUTION TO WORKERS WELFARE FUND

Through the Finance Act, 2008 an amendment was made in section 2(f) of the Workers' Welfare Fund Ordinance, 1971 (the WWF Ordinance) whereby the definition of 'Industrial Establishment' has been made applicable to any establishment to which West Pakistan Shops and Establishment Ordinance, 1969 applies. As a result of this amendment it appears that WWF Ordinance has become applicable to all Collective Investment Schemes (CISs) whose income exceeds Rs. 0.5 million in a tax year. A petition has been filed with the Honourable High Court of Sindh by some of the Collective Investment Schemes through their Trustees on the ground that the CIS (Mutual Funds) are not establishments and as a result not liable to pay contribution to WWF.

Subsequently, the Ministry of Labour and Manpower (the Ministry) vide its letter dated July 8, 2010 issued advice and clarifications which stated that WWF Ordinance 1971 is not applicable to any public listed company and any organized financial institutions including Mutual Funds because they are ruled and governed by separate laws. Further, in a subsequent letter dated July 15, 2010 the Ministry clarified that "Mutual Fund(s) is a product which is being managed / sold by the Asset Management Companies which are liable to contribute towards Workers Welfare Fund under Section-4 of WWF Ordinance 1971, however, the income on Mutual Fund(s), the product being sold, is exempted under the law ibid".

Further, the Secretary (Income Tax Policy) Federal Board of Revenue (FBR) issued a letter dated October 6, 2010 to the Members (Domestic Operation) North and South FBR. In the letter reference was made to the clarification issued by the Ministry of Labour and Manpower stating that Mutual Funds are a product and their income are exempted under the law ibid. The Secretary (Income Tax Policy) Federal Board of Revenue directed that the Ministry's letter may be circulated amongst field formations for necessary action. Following the issuance of FBR Letter, show cause notice which had been issued by taxation office for two Mutual Funds for payment of levy under WWF had been withdrawn. However, the Secretary (Income Tax Policy) Federal Board of Revenue vide letter January 4, 2011 has cancelled ab-initio clarificatory letter dated October 6, 2010 on applicability of WWF on Mutual Funds. On December 14, 2010, the Ministry filed its response to the constitutional petition pending in the Court. As per the legal counsel who is handling the case, there is contradiction between the above earlier letter and clarification of the Ministry and the response filed by the Ministry before Honourable High Court of Sindh.

# PAKISTAN ISLAMIC PENSION FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED JUNE 30, 2011

Subsequent to the year end, Lahore High Court vide its judgement on a similar case has declared the amendments introduced vide Finance Act 2006 and Finance Act, 2008 in WWF Ordinance as unconstitutional and therefore struck down on the basis that the contribution paid towards the fund under WWF Ordinance is a fee and not a tax.

In view of the afore mentioned developments, the Management Company believes that there is no compelling reason to make provision on account of WWF contribution in the financial statements. Further, the Management Company also expects that the constitutional petition pending in the Honourable High Court of Sindh on the subject as referred above will be decided in favour of the Mutual Funds. The aggregate unrecognised amount of WWF as at June 30, 2011 amounted to Rs. 0.405 million.

7.2 There is no commitments outstanding as at June 30, 2011 ( 2010 Nil )

### 8. BASIS OF ALLOCATION OF EXPENSES TO EACH SUB-FUND

Remuneration to the Pension Fund Manager, Trustee and annual fee to the SECP is allocated to each sub-fund on the basis of the net assets of the sub-fund.

- Expenses specifically incurred by a sub-fund, such as custody and settlement charges, fees and subscription and bank charges are charged to that sub-fund.
- Auditors' remuneration and legal and professional charges are allocated on the basis of the proportionate net assets of each sub-fund.
- Amortisation of formation cost is charged equally to the sub-funds.

### 9. REMUNERATION OF PENSION FUND MANAGER

This represents remuneration of the Pension Fund Manager at the rate of 1.5 percent of the average amount of net assets of each sub-fund calculated during the year for determining the prices of units of the sub-funds.

### 10. REMUNERATION OF TRUSTEE

This represents remuneration of the Trustee based on the tariff as specified in the Trust Deed, calculated on the basis of the net asset value of each sub-fund computed each day for determining the prices of units of the sub-funds.

### 11. ANNUAL FEE - SECURITIES AND EXCHANGE COMMISSION OF PAKISTAN

This represents annual fee to the SECP at the rate of one thirtieth of one percent of average annual net assets of each sub-fund.

### 12. AUDITORS' REMUNERATION

	-----2011-----				
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	2010
	-----Rupees-----				
Audit fee	68,867	80,908	70,225	220,000	220,001
Half yearly review fee	24,189	29,819	25,992	80,000	80,002
Other certifications and services	23,477	27,582	23,941	75,000	85,000
Out of pocket expenses	3,709	4,617	4,108	12,434	19,532
	<u>120,242</u>	<u>142,926</u>	<u>124,266</u>	<u>387,434</u>	<u>404,535</u>



**PAKISTAN ISLAMIC PENSION FUND**  
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**13. NET UNREALISED APPRECIATION / (DIMINUTION) IN MARKET VALUE OF INVESTMENTS CLASSIFIED AS 'AVAILABLE FOR SALE'**

	2011			Total	2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
	-----Rupees-----				
Market value	36,639,561	43,151,084	20,079,000	99,869,645	72,269,751
Average cost	(36,680,435)	(42,843,011)	(20,027,000)	(99,550,446)	(75,336,103)
	(40,874)	308,073	52,000	319,199	(3,066,352)
Impairment loss					
Opening	4,068,199	-	-	4,068,199	7,316,030
Charged during the year	1,868,624	-	-	1,868,624	1,123,677
Derecognised on sale of investments	(995,085)	-	-	(995,085)	(4,137,095)
	4,941,738	-	-	4,941,738	4,302,612
Less: Net unrealised diminution in value of investment at the beginning of the year	4,655	835,153	162,000	1,001,808	117,226
	<b>4,896,209</b>	<b>(527,080)</b>	<b>(110,000)</b>	<b>4,259,129</b>	<b>1,119,034</b>

**13.1** As at June 30, 2011, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available for sale and has determined that an impairment loss amounting to Rs. 1.869 million for the year ended June 30, 2011 be charged to the income statement.

**14. EARNINGS PER UNIT**

Earnings per unit (EPU) for the year ended June 30, 2011 in respect of each sub-fund has been calculated by dividing the net income / (loss) after taxation of a sub-fund by the weighted average number of units of the sub-fund in circulation during the year, which are given below:

	2011		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
Weighted average number of units	361,360.0410	334,485.0671	310,375.9766
Net income after taxation	1,923,387	4,739,908	2,764,179
Earnings per unit	<b>5.32</b>	<b>14.17</b>	<b>8.91</b>

**15. TRANSACTIONS WITH CONNECTED PERSONS**

Connected persons of the Fund include the Management Company, other collective investment schemes being managed by the Management Company, MCB Bank Limited being the holding company of the Management Company, the Trustee, directors and key management personnel, other associated undertaking and investors holding 10% or more of the units of the Fund.

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

Remuneration payable to the Pension Fund Manager and the Trustee is determined in accordance with the provisions of the VPS Rules and the Trust Deed respectively.

**PAKISTAN ISLAMIC PENSION FUND**  
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**15.1 Transactions during the year**

	-----2011-----			Total	2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
-----Rupees-----					
<b>Arif Habib Investments Ltd - Pension Fund Manager</b>					
Remuneration	555,633	651,186	564,986	1,771,805	1,538,070
Sales load	18,871	31,281	7,206	57,358	30,518
<b>MCB Financial Services Limited - Trustee</b>					
Remuneration	73,510	86,161	74,757	234,428	204,719
CDC participant fee	-	-	-	-	-
<b>Directors and Officers</b>					
Issue of PIPF Equity sub - fund 22,578 units (2010: 20,363 units)	2,460,301	-	-	2,460,301	1,864,168
Issue of PIPF Debt sub - fund 16,032 units (2010: 11,914 units)	-	2,175,064	-	2,175,064	1,419,001
Issue of PIPF Money Market sub - fund 8,026 units (2010: 4,625 units)	-	-	1,005,895	1,005,895	524,730
Redemption of PIPF Equity sub - fund 18,556 units (2010: 1,489 units)	2,022,021	-	-	2,022,021	146,249
Redemption of PIPF Debt sub - fund 12,281 units (2010: 1,489 units)	-	1,666,172	-	1,666,172	181,671
Redemption of PIPF Money Market sub - fund 5,716 units (2010: 525 units)	-	-	716,384	716,384	60,257

**15.2 Amounts outstanding as at year end**

	-----2011-----			Total	2010
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		
-----Rupees-----					
<b>Arif Habib Investments Ltd - Pension Fund Manager</b>					
Remuneration payable	50,769	57,435	48,502	156,706	133,361
Investment in seed capital 300,000 units (2010: 300,000 units)	32,691,000	40,701,000	37,599,000	110,991,000	99,516,000
<b>MCB Financial Services Limited - Trustee</b>					
Remuneration payable	6,697	7,577	6,398	20,672	17,715
<b>Summit Bank Limited</b>					
Bank Balance	-	-	-	-	15,119,151
<b>Directors and Officers</b>					
Balance as at June 30, 2011					
Investment In PIPF Equity sub - fund 25,149 units (2010 : 27,127 units)	2,740,448	-	-	2,740,448	1,897,804
Investment In PIPF Debt sub - fund 15,784 units (2010 : 12,033 units)	-	2,141,436	-	2,141,436	1,500,059
Investment In PIPF Money Market sub - fund 7,399 units (2010 : 5,089 units)	-	-	927,370	927,370	596,634

# PAKISTAN ISLAMIC PENSION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 16. FINANCIAL RISK MANAGEMENT

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Fund's financial performance.

The Fund's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk and price risk), credit risk and liquidity risk. Risk of the Fund are being managed by the Pension Fund Manager in accordance with the approved policies of the investment committee which provide Broad guidelines for management of above mention risks.

The financial assets of the fund comprise of cash balance with banks available for sale investments, comprising of, equity securities of listed companies, deposits in scheduled Islamic Banks, Islamic windows of commercial bank and Sukuks. The Fund also has dividend receivable, interest receivable, deposits and other receivables. The Fund's principal financial liabilities include remuneration payable to Pension Fund Manager, Trustee and SECP and accrued and other liabilities.

#### 16.1 Market risk

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

The Pension Fund Manager manages market risk by monitoring exposure on marketable securities by following the internal risk management policies and investment guidelines approved by the Board and regulations laid down by the SECP and the VPS Rules.

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

#### 16.1.1 Currency risk

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

#### 16.1.2 Interest rate risk

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

#### Sensitivity Analysis of variable rate instruments

- (a) Government Ijarah Sukuks which are classified as 'Available for Sale' exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in rates announced by the Financial Markets Association of Pakistan on June 30, 2011, with all other variables held constant, the net income for the year and net assets would be higher / lower by Rs. 471,863 (2010: Rs. 115,561).
- (b) As at June 30, 2011, the Fund holds:
  - KIBOR based profit bearing Sukuk certificates exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 14,641 (2010: Rs. 48).
- (c) Balances with bank in deposit account exposing the Fund to cash flow interest rate risk. In case of 100 basis points increase / decrease in KIBOR on June 30, 2011, with all other variables held constant, the net assets of the Fund and net income for the year would have been higher / lower by Rs. 20,473 (2010: Rs. 44,201).

The composition of the Fund's investment portfolio, KIBOR rates and rates announced by Reuters are 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.

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

**PAKISTAN ISLAMIC PENSION FUND**  
**NOTES TO AND FORMING PART OF THE**  
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**FOR THE YEAR ENDED JUNE 30, 2011**

Total	PIPF EQUITY SUB-FUND				PIPF Debt Sub-Fund				PIPF Money Market Sub-Fund			
	-----June 30, 2011-----				-----June 30, 2011-----				-----June 30, 2011-----			
	'Exposed to Yield/Interest rate risk				'Exposed to Yield/Interest rate risk				'Exposed to Yield/Interest rate risk			
	Up to three months	More than three months and up to one year	More than one year	Note exposed to Yield/Interest rate risk	Up to three months	More than three months and up to one year	More than one year	Note exposed to Yield/Interest rate risk	Up to three months	More than three months and up to one year	More than one year	Note exposed to Yield/Interest rate risk

(Rupees)

**On-balance sheet financial instruments**

**Financial Assets**

Balances with banks	24,519,836	3,284,209	-	-	393,495	2,301,101	-	-	-	18,541,031	-	-	
Investments	99,869,645	-	-	-	36,639,561	-	-	43,151,084	-	-	20,079,000	-	
Dividend receivable	202,960	-	-	-	202,960	-	-	-	-	-	-	-	
Profit receivable	2,466,602	-	-	-	-	-	-	1,599,072	-	-	-	867,530	
Deposits and other receivables	2,951,927	-	-	-	726,918	-	-	1,477,240	-	-	-	747,769	
	130,010,970	3,284,209	-	-	37,962,934	2,301,101	-	43,151,084	3,076,312	18,541,031	-	20,079,000	1,615,299

**Financial Liabilities**

Payable against redemption of units	1,914,352	-	-	-	643,428	-	-	-	821,571	-	-	449,353
Payable to Pension Fund Manager	156,706	-	-	-	50,769	-	-	-	57,435	-	-	48,502
Payable to Trustee	20,672	-	-	-	6,697	-	-	-	7,577	-	-	6,398
Payable to Auditors	299,936	-	-	-	93,831	-	-	-	110,328	-	-	95,777
Other liabilities	199,807	-	-	-	80,866	-	-	-	64,501	-	-	54,440
	2,591,473	-	-	-	875,591	-	-	-	1,061,412	-	-	654,470

**On-balance sheet gap**

	127,419,497	3,284,209	-	-	37,087,343	2,301,101	-	43,151,084	2,014,900	18,541,031	-	20,079,000	960,829
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2011.

Total	PIPF EQUITY SUB-FUND				PIPF Debt Sub-Fund				PIPF Money Market Sub-Fund			
	-----June 30, 2010-----				-----June 30, 2010-----				-----June 30, 2010-----			
	'Exposed to Yield/Interest rate risk				'Exposed to Yield/Interest rate risk				'Exposed to Yield/Interest rate risk			
	Up to three months	More than three months and up to one year	More than one year	Note exposed to Yield/Interest rate risk	Up to three months	More than three months and up to one year	More than one year	Note exposed to Yield/Interest rate risk	Up to three months	More than three months and up to one year	More than one year	Note exposed to Yield/Interest rate risk

(Rupees)

**On-balance sheet financial instruments**

**Financial Assets**

Balances with banks	20,347,990	199,580	-	-	2,747,708	5,246,996	-	-	859,528	11,011,364	-	-	282,814
Investments	86,469,751	-	-	-	27,755,450	-	-	34,352,301	-	14,200,000	-	10,162,000	-
Dividend receivable	85,400	-	-	-	85,400	-	-	-	-	-	-	-	-
Profit receivable	1,855,643	-	-	-	4,673	-	-	-	1,198,220	-	-	-	652,750
Deposits and other receivables	1,588,094	-	-	-	1,186,094	-	-	-	201,000	-	-	-	201,000
	110,346,878	199,580	-	-	31,779,325	5,246,996	-	34,352,301	2,258,748	25,211,364	-	10,162,000	1,136,564

**Financial Liabilities**

Payable against redemption of units	-	-	-	-	-	-	-	-	-	-	-	-	-
Payable to Pension Fund Manager	133,361	-	-	-	38,739	-	-	-	50,226	-	-	-	44,396
Payable to Trustee	17,715	-	-	-	5,146	-	-	-	6,672	-	-	-	5,897
Payable to Auditors	295,001	-	-	-	86,551	-	-	-	108,696	-	-	-	99,754
Other liabilities	34,179	-	-	-	9,999	-	-	-	12,601	-	-	-	11,579
	95,676	-	-	-	67,674	-	-	-	178,195	-	-	-	189,628

**On-balance sheet gap**

	109,770,946	199,580	-	-	31,571,216	5,246,996	-	34,352,301	2,080,553	25,211,364	-	10,162,000	946,936
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2011.

# PAKISTAN ISLAMIC PENSION FUND NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 2011

## 16.1.3 Price Risk

The Equity Sub-Fund is exposed to equity price risk because of equity securities held by the Equity Sub-Fund and classified on the balance sheet as available for sale. To manage its price risk arising from investment in equity securities, the Equity Sub-Fund's investment policy, as restricted by Voluntary Pension System Rules, 2005, limits investments in listed shares of one company to not more than 10% of Sub Fund net assets and investment in listed securities of a particular company have also been restricted to 10% of paid-up capital of investee company. Moreover, the sector limits have been restricted to 25% of the net assets of the Sub-Fund.

In case of 5% increase in KSE 100 index on June 30, 2011, other components of equity would increase by Rs. 1.858 million (2010: Rs. 1.219 million) as a result of gains / losses on equity securities classified as available for sale. In case of 5% decrease in KSE 100 index on June 30, 2011, other components of equity would decrease by Rs. 1.858 million (2010: Rs. 1.219 million) as a result of gains / losses on equity securities classified as available for sale.

The analysis is based on the assumption that the equity index had increased / decreased by 5% with all other variables held constant and all the Sub-Fund's equity instruments moved according to the historical correlation with the index. This represents management's best estimate of a reasonable possible shift in the KSE 100 index, having regard to the historical volatility of the index. The composition of the Sub-Fund's investment portfolio and the correlation thereof to the KSE index, is expected to change over time. Accordingly, the sensitivity analysis prepared as of June 30, 2011 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of KSE 100 index.

## 16.2 Credit risk

Credit risk represents the risk of loss if counterparties fail to perform as contracted. The Fund's credit risk is primarily attributable to its investment in debt securities. The Fund is also exposed to counter party credit risks on balances with banks and profit receivable. The credit risk on these funds is limited because the counterparties are financial institutions with reasonably high credit ratings. In addition, the internal risk management policies and investment guidelines (approved by the Board) require the Fund to invest in debt securities that have been rated as investment grade by a well known rating agency.

The Fund has adopted a policy of only dealing with creditworthy counterparties. This credit rating information is supplied by independent rating agencies, where available, and if not available, the Fund uses other publicly available financial information and its own trading records to rate its major investors. The Fund's exposure and the credit ratings of its counterparties are continuously monitored.

Credit risk from balances with banks and financial institutions is managed by financial department in accordance with the Fund's policy. Investments of surplus funds are made only with approved counterparties and within credit limits assigned to each counterparty. Counterparty credit limits are approved by the Board of Directors. The limits are set to minimise the concentration of risk and therefore mitigate financial loss through potential counterparty failure.

The Fund's maximum exposure to credit risk related to receivables at June 30, 2011 and June 30, 2010 is the carrying amounts of following financial assets.

	-----2011-----				
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	2010
	-----Rupees-----				
Balances with banks	3,677,704	2,301,101	18,541,031	24,519,836	20,347,990
Investments	36,639,561	43,151,084	20,079,000	99,869,645	86,469,751
Dividend receivable	202,960	-	-	202,960	85,400
Profit receivable	-	1,599,072	867,530	2,466,602	1,855,643
Deposit and other receivables	726,918	1,477,240	747,769	2,951,927	1,588,094
	<b>41,247,143</b>	<b>48,528,497</b>	<b>40,235,330</b>	<b>130,010,970</b>	<b>110,346,878</b>

# PAKISTAN ISLAMIC PENSION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2011 and June 30, 2010:

<b>Bank Balances by rating category</b>	<b>2011</b>
Bank Al-Habib Limited	AA+
Habib Metropolitan Bank Limited	AA+
MCB Bank Limited	AA+
Standard Chartered Bank (Pakistan) Limited	AAA
	<b>2010</b>
Summit Bank Limited	A
Bank Al-Habib Limited	AA+
Al-Baraka Islamic Bank Limited	A
Bank Islami Limited	A
Bank Alfalah Limited	AA
United Bank Limited	AA+
Meezan Bank Limited	AA-
Standard Chartered Bank (Pakistan) Limited	AAA
	<b>2011</b>
<b>Sukuk Certificates by rating category</b>	
Pakistan Electron Limited	A
	<b>2010</b>
Pakistan Electron Limited	A

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.

#### **Concentration of credit risk**

Concentration of credit risk exists when changes in economic or industry factors similarly affect groups of counterparties whose aggregate credit exposure is significant in relation to the Fund's total credit exposure. The Fund's portfolio of financial instruments is broadly diversified and transactions are entered into with diverse credit-worthy counterparties thereby mitigating any significant concentrations of credit risk.

#### **16.3 Liquidity risk**

Liquidity risk is the risk that the Fund may encounter difficulty in raising funds to meet its obligations and commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset at close to its fair value. The Pension Fund Manager manages liquidity risk by continuously analyzing the maturities of financial assets and financial liabilities. Since the Unit Holders invest in the Funds with a long term objective, possibility of a significant redemption pressure is limited.

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

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Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2011			June 30, 2011			June 30, 2011		
	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year

(Rupees)

**Liabilities**

Payable against redemption of units	1,914,352	643,428	-	-	821,571	-	-	449,353	-	-
Payable to Pension Fund Manager	156,706	50,769	-	-	57,435	-	-	48,502	-	-
Payable to Trustee	20,672	6,697	-	-	7,577	-	-	6,398	-	-
Payable to Auditors	299,936	93,831	-	-	110,328	-	-	95,777	-	-
Other liabilities	199,807	80,866	-	-	64,501	-	-	54,440	-	-
<b>Total</b>	<b>2,591,473</b>	<b>875,591</b>	<b>-</b>	<b>-</b>	<b>1,061,412</b>	<b>-</b>	<b>-</b>	<b>654,470</b>	<b>-</b>	<b>-</b>

Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2010			June 30, 2010			June 30, 2010		
	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year	Up to three months	Over three months and up to one year	Over one year

(Rupees)

**Liabilities**

Payable to Pension Fund Manager	133,361	38,739	-	-	50,226	-	-	44,396	-	-
Payable to Trustee	17,715	5,146	-	-	6,672	-	-	5,897	-	-
Payable to Auditors	295,001	86,551	-	-	108,696	-	-	99,754	-	-
Other liabilities	95,676	67,674	-	-	-	-	-	28,002	-	-
<b>Total</b>	<b>541,753</b>	<b>198,110</b>	<b>-</b>	<b>-</b>	<b>165,594</b>	<b>-</b>	<b>-</b>	<b>178,049</b>	<b>-</b>	<b>-</b>

**16.4 Financial instruments by category**

Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2011			June 30, 2011			June 30, 2011		
	Loans and receivables	Available for sale investments	Sub total	Loans and receivables	Available for sale investments	Sub total	Loans and receivables	Available for sale investments	Sub total

(Rupees)

**Assets**

Balances with banks	24,519,836	3,677,704	-	3,677,704	2,301,101	-	2,301,101	18,541,031	-	18,541,031
Investments	99,869,645	-	36,639,561	36,639,561	-	43,151,084	43,151,084	-	20,079,000	20,079,000
Dividend receivable	202,960	202,960	-	202,960	-	-	-	-	-	-
Profit receivable	2,466,602	-	-	-	1,599,072	-	1,599,072	867,530	-	867,530
Deposit and other receivables	2,951,927	726,918	-	726,918	1,477,240	-	1,477,240	747,769	-	747,769
<b>Total</b>	<b>130,010,970</b>	<b>4,607,582</b>	<b>36,639,561</b>	<b>41,247,143</b>	<b>5,377,413</b>	<b>43,151,084</b>	<b>48,528,497</b>	<b>20,156,330</b>	<b>20,079,000</b>	<b>40,235,330</b>

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Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2011			June 30, 2011			June 30, 2011		
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total

----- (Rupees) -----

**Liabilities**

Payable against redemption of units	1,914,352	-	643,428	643,428	-	821,571	821,571	-	449,353	449,353
Payable to Pension Fund Manager	156,706	-	50,769	50,769	-	57,435	57,435	-	48,502	48,502
Payable to Trustee	20,672	-	6,697	6,697	-	7,577	7,577	-	6,398	6,398
Payable to Auditors	299,936	-	93,831	93,831	-	110,328	110,328	-	95,777	95,777
Other liabilities	199,807	-	80,866	80,866	-	64,501	64,501	-	54,440	54,440
<b>Total</b>	<b>2,591,473</b>	<b>-</b>	<b>875,591</b>	<b>875,591</b>	<b>-</b>	<b>1,061,412</b>	<b>1,061,412</b>	<b>-</b>	<b>654,470</b>	<b>654,470</b>

Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2011			June 30, 2011			June 30, 2011		
	Loans and receivables	Available for sale investments	Sub total	Loans and receivables	Available for sale investments	Sub total	Loans and receivables	Available for sale investments	Sub total

----- (Rupees) -----

**Assets**

Balances with banks	20,347,990	2,947,288	-	2,947,288	6,106,524	-	6,106,524	11,294,178	-	11,294,178
Investments	86,469,751	-	27,755,450	27,755,450	-	34,352,301	34,352,301	14,200,000	10,162,000	24,362,000
Dividend receivable	85,400	85,400	-	85,400	-	-	-	-	-	-
Profit receivable	1,855,643	4,673	-	4,673	1,198,220	-	1,198,220	652,750	-	652,750
Deposit and other receivables	1,588,094	1,186,094	-	1,186,094	201,000	-	201,000	201,000	-	201,000
<b>Total</b>	<b>110,346,878</b>	<b>4,223,455</b>	<b>27,755,450</b>	<b>31,978,905</b>	<b>7,505,744</b>	<b>34,352,301</b>	<b>41,858,045</b>	<b>26,347,928</b>	<b>10,162,000</b>	<b>36,509,928</b>

Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2011			June 30, 2011			June 30, 2011		
	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total	Liabilities at fair value through profit or loss	Other financial liabilities	Sub total

----- (Rupees) -----

**Liabilities**

Payable to Pension Fund Manager	133,361	-	38,739	38,739	-	50,226	50,226	-	44,396	44,396
Payable to Trustee	17,715	-	5,146	5,146	-	6,672	6,672	-	5,897	5,897
Payable to Auditors	295,001	-	86,551	86,551	-	108,696	108,696	-	99,754	99,754
Other liabilities	95,676	-	67,674	67,674	-	-	-	-	28,002	28,002
<b>Total</b>	<b>541,753</b>	<b>-</b>	<b>198,110</b>	<b>198,110</b>	<b>-</b>	<b>165,594</b>	<b>165,594</b>	<b>-</b>	<b>178,049</b>	<b>178,049</b>

**16.5 Fair value of financial assets and liabilities**

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



# PAKISTAN ISLAMIC PENSION FUND

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED JUNE 30, 2011

#### 16.5.1 Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities.

**Level 2:** 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 3:** inputs for the assets or liability that are not based on observable market data (that is, unobservable inputs).

Total	PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND			PIPF EQUITY SUB-FUND		
	June 30, 2011			June 30, 2011			June 30, 2011		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
(Rupees)									

#### ASSETS

Investment in securities -

Available for sale	99,869,645	36,639,561	-	-	42,176,076	975,008	-	20,079,000	-	-
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#### 17. CAPITAL RISK MANAGEMENT

The Fund's capital is represented by redeemable units of the sub-funds. They are entitled to payment of a proportionate share based on the sub-fund's net asset value per unit on the redemption date. The relevant movements are shown on the statement of movement in Participants' sub-funds. In accordance with the risk management policies stated in note 17, the Fund endeavors to invest the subscriptions received in appropriate investments while maintaining sufficient liquidity to meet redemption. Since the Unit Holders invest in the Funds with a long term objective, possibility of a significant redemption pressure is limited, such liquidity being augmented (by short-term borrowings or disposal of investments where necessary). During the year no such borrowing was exercised.

Capital includes 300,000 units each relating to core investors of the three sub-funds of the Fund. These units were issued as initial subscription in the form of the seed capital subscribed up to September 13, 2007 with the restriction that these units are not redeemable or transferable for a period of three years from the date of subscription.

All units, including the core units, and fractions thereof represent an undivided share in the pertinent sub-funds of the fund and rank pari passu as to their rights in the net assets and earnings of such sub-fund and are not tradable or transferable. Each participant has a beneficial interest in the sub-fund proportionate to the units held by such participant in such sub-fund.

#### 18. SEGMENT INFORMATION

As per IFRS 8, operating segments are reported in a manner consistent with the internal reporting used by the chief decision-maker. Investment Committee has been identified as the chief decision-maker, who is responsible for allocating resources, assessing performance of the operating segments and is responsible for the Fund's entire product portfolio and considers the business to have three operating segments i.e. PPF Equity Sub-Fund, PPF Debt Sub-Fund and PPF Money Market Sub-Fund. The Fund's asset allocation decisions are based on the allocation scheme selected by the participant out of the allocation schemes offered by the Pension Fund Manager. The Fund's performance is also evaluated on the sub-funds basis.

The internal reporting provided to the Board of Directors of the Management Company for the Fund's assets, liabilities and performance is prepared on a consistent basis with the measurement and recognition principles of approved accounting standards as applicable in Pakistan.

The Fund is domiciled in Pakistan. All of the Fund's income is from investments in entities incorporated in Pakistan.

#### 19. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on September 20, 2011.

#### 20. GENERAL

Figures have been rounded off to the nearest Rupee.

**For Arif Habib Investments Limited**  
**(Pension Fund Manager)**

Chief Executive

Director