



Bachat ka Doosra Naam

**Annual Report
2013**



Phir Aglee Rut Kee Fikar Karo

PAKISTAN

**ISLAMIC PENSION
FUND**

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Ltd.)

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Vision

To become synonymous with Savings.

Mission

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

Core Values

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

FUND'S INFORMATION

Management Company	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Board of Directors of the Management Company	Mian Mohammad Mansha Mr. Nasim Beg Mr. Yasir Qadri Syed Salman Ali Shah Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Samad A. Habib Mr. Mirza Mahmood Ahmad	Chairman(subject to the approval of SECP) Executive Vice Chairman Chief Executive Officer (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director (subject to the approval of SECP) Director Director (subject to the approval of SECP)
Audit Committee	Mr. Haroun Rashid Mr. Nasim Beg Mr. Samad A. Habib	Chairman Member Member
Human Resource Committee	Syed Salman Ali Shah Mr. Nasim Beg Mr. Haroun Rashid Mr. Ahmed Jahangir Mr. Yasir Qadri	Chairman Member Member Member Member
Company Secretary & Chief Operating Officer	Mr. Muhammad Saqib Saleem	
Chief Financial Officer	Mr. Umair Ahmed	
Trustee	Habib Metropolitan Bank Limited 8th Floor, HBZ Building I.I. Chundrigar Road, Karachi.	
Bankers	Habib Metropolitan Bank Limited Bank Al Falah Limited	
Auditors	M. Yousuf Adil Saleem & Co.-Chartered Accountants Cavis 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	
Transfer Agent	MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 8th Floor, Techno City, Corporate Tower, Hasrat Mohani Road, Karachi	
Rating	AM2 - Management Quality Rating assigned by PACRA	

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

The Board of Directors of MCB-Arif Habib Savings and Investments Limited (Formerly 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 ended June 30, 2013.

Economy & Money Market Overview and Outlook

Though economic optimism generally prevailed throughout the year, the actual economic news released remained a mixed bag. Despite pressure on fiscal side and reserve position, some of the key macroeconomic indicators have depicted positive trend during the period.

In essence, easing inflation, along with smooth political transition in the later part of the year, managed to dilute the impact of higher fiscal deficit, reserve depletion and rupee depreciation on the economy. Hammered by poor law and order situation and energy crisis, the real GDP growth clocked in around 3.6 % in FY13, less than the targeted 4.3 % and far below the growth recorded by other developing countries in the region.

Thanks to the lower global commodity prices and the base effect by virtue of which inflation eased down to around 7.4 percent in FY13, nearly 3.6 percentage points lower than the previous fiscal year. With economy in the throes of weak GDP growth, lower inflationary pressures and excessive liquidity created to do unwarranted government borrowing from Central Bank developed a case for monetary easing. Consequently, policy makers reduced discount rate by a total of 3 percentage points during the year to 9 % at the end of the fiscal year.

The external account remained manageable, aided by a narrower trade and services gap. The current account deficit amounted to \$2.29 billion in FY13 compared to \$4.7 billion in the last year.

Against the backdrop of lower import bill, trade deficit narrowed down to around \$15 billion in FY13 from \$15.7 billion in the last year. The country's import bill nudged down by 1.6% to \$39.8 billion while exports stayed constant at the last year's level of around \$24.7 billion. At the same time, inflows of around \$1.8 billion under Coalition Support Fund helped reduce services deficit to \$1.13 billion from \$3.2 billion. At the same time, remittances totaled to \$13.9 billion from \$ 13.2 billion reported in FY12.

Juxtaposed the country's financial account registered a deficit of \$80 million, as opposed to surplus of \$1.28 billion in the previous year. In the face of higher FDIs, the financial account swung into the negative territory. FDI proceeds amounted to \$ 1.4 billion in FY13, nearly \$626 million higher than the previous year.

The lower current account deficit along with meager deficit in financial account and surplus of \$238 million in capital account summed to overall deficit of \$2.4 billion in FY13 as opposed to \$3.3 billion.

Although, the overall balance of payment deficit improved, foreign reserves depleted by around \$4.2 billion during the year to around \$11 billion at the end of the year largely on the account of timely loan repayments to IMF. Consequently, rupee depleted by 5 % to 98.4 against dollar towards the end of the year.

In the absence of structural reforms, the country's performance on fiscal side remained abysmal. Fiscal indiscipline continued to remain a cause of concern leading to the gaping 8.8% budgetary deficit as percentage of GDP. During the first three quarters the country's fiscal deficit stood at 4.4 % of GDP. Part of the deficit can also be attributed to the current governments first move to settle circular debt largely through borrowing from Central Bank.

The previous government's attempts at reform were a day late and a dollar short. The tax revenue collection target of Rs 2.5 trillion remained elusive as the government is expected to collect at total of Rs1.9 trillion in FY13. The collection through non-tax sources was also off the mark as the government failed to roll out 3G licenses in FY13.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

With the country nursing with wider revenue expenditure shortfall, thin external flows tilted the borrowing pressure towards domestic sources. The net financing to the government increased by Rs 460 billion during FY13 to Rs 1.6 trillion at the year end. The scheduled banks continued to bear a large part of the burden since the borrowing from the banking sector alone increased by Rs 389 billion to Rs 1.025 trillion at the year end.

Banking on Net domestic assets (NDA), money supply (M2) posted a double digit growth of 17.08% during the year. This can be gauged from the fact that NDA increased by Rs 1.5 trillion (data as of 28th June, 2013) during FY13 as opposed to Rs 1.2 trillion in FY12. While, Net foreign assets(NFA) fell by Rs 184 billion as opposed to decline of Rs 248 billion during the previous year.

To a large extent, trade deficit outlook hinges on global commodity prices. Increase in GST and imposition of additional tax measures as announced in FY14 budget will set the stage for higher inflation level going forward. However, nod from IMF on loan restructuring at the onset of FY14 will reduce pressure on reserves position.

Equities Market Overview and Outlook

The local stock market recorded substantial growth reflected by the KSE-100 index, which rose by a remarkable 52% in FY13 as against an average annual growth of 25% during the past three fiscal years. This helped the local equity market shine as one of the best performing markets in the world.

Buoyed by stable macroeconomic environment and strengthening fundamentals, the stock market started the year on a strong note. The market touched an all-time high of around 22,757 on 13th June, 2013.

The volume remained healthy with an average daily market turnover of around 200 million shares during the year. At this level, the index volume was nearly 1.5 times and 2 times higher than the average index volume in FY12 and FY11, respectively. Foreign investors also remained at the forefront given that the market closed its fiscal year recording net foreign inflows of around \$568.9 million as opposed to the net outflow of \$189 million in FY12.

A combination of lower commodity prices, monetary easing, CSF inflows, foreign portfolio inflows, rupee depreciation, smooth political transition, buyout of Unilever Pakistan Limited, along with expectation regarding resolution of circular debt, IMF loan extension and improved relationship with key strategic allies after the formation of new government, helped the stock market climb strongly during the year. In addition, monetary easing in developed countries also played a catalyst as they continued to facilitate the flow of funds towards the developing countries. However, the good part is that a slew of positive developments managed to play-down the negative sentiments arising from poor law and order situation and energy crisis in the country.

The saving grace came in the shape of stable commodity prices, which reduced the pressure on fiscal and external account front. In light of tepid inflationary pressures, with average inflation stood around 7.4% in FY13, policy makers reduced the discount rate to 9% towards the end of the fiscal year, marking a total cut of 3 percentage points during the year.

Although, the overall balance of payment deficit narrowed to \$ 2.4 billion in FY13 from around \$3.3 billion in FY12, foreign reserves depleted by around \$4.2 billion during the year to \$11 billion at the end of the year- mainly on the account of timely loan repayments to IMF.

Benefiting from inventory gains, and China's sustained appetite for course count textile products, scrips of the sector managed to lead the pack, while higher cement prices in the local market amid lower coal prices helped cement companies to stay on a roll. The decline in discount rate brought debt-laden companies into the limelight, while rupee depreciation widened the margins of exporters such as the textile sector and companies with dollar/oil based tariffs.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

On the contrary, fertilizer and banking sector remained trailed, as a reaction to lowering in discount rate. Gas curtailment issues kept investor at bay from fertilizer sector.

A string of positive developments arising since the formation of new government suggests positive outlook for equity markets. The government's apparent commitment towards the resolution of circular debt, recovery of \$800 million from Etisalat, privatization of state owned entities, together with higher PSDP allocation for FY14 will continue to keep investors' confidence intact.

Higher PSDP allocation is likely to support stocks of companies in construction materials sector, while expected rupee depreciation may continue to support textile exports, chemical and energy sector.

The country's likely comeback in fresh IMF program will pave the way for structural, monetary and fiscal reforms. As outlook on further monetary easing changes, the lagging banking sector may start to catch up..

With the global commodity prices unlikely to rise the trade balance looks stable. Also, in consideration of various tax measures imposed in FY14, targeted fiscal deficit level of 6.3% doesn't appear as farfetched as it has in the last few years.

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 41.8% while it's since inception return stands at 92.4%. Money market sub-fund generated an annualized return of 7.7% and it's since inception return stands at 8.1%. Debt sub-fund generated an annualized return of 6.8% during the year while since inception return of the fund stands at 10.0%.

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

Performance Information (%)	Equity	Debt	Money Market
Last twelve Months Return	41.8%	6.8%	7.7%
Since Inception	92.4%	10.0%	8.1%

Equity sub-fund

The net assets of the sub-fund as at June 30, 2013 stood at 83.33 million as compared to Rs 54.07 million at the beginning of the year, registering a positive change of 54.12%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 192.77 as compared to Rs 135.91 at the beginning of the year, registering an increase of Rs 56.86 per unit.

Debt sub-fund

The net assets of the sub-fund as at June 30, 2013 stood at Rs 79.93 million as compared to Rs 60.43 million at the beginning of the year, registering a positive change of 32.28%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 157.15 as compared to Rs 147.11 at the beginning of the year, registering an increase of Rs 10.04 per unit.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

Money Market sub-fund

The net assets of the sub-fund as at June 30, 2013 stood at Rs 55.05 million as compared to Rs 46.83 million at the beginning of the year, registering a positive change of 17.54%.

The Net Asset Value (NAV) per unit of the sub-fund was Rs 146.27 as compared to Rs 135.81 as at the beginning of the year, registering an increase of Rs 10.46 per unit.

Update on Workers' Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honorable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

Subsequent to the year ended June 30, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) on July 8, 2010 which stated that mutual funds are not liable to contribute to WWF on the basis of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

Subsequent to the year ended 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 and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per our legal counsel the stay granted to Voluntary Pension Schemes (VPS) remains intact and the constitution petitions filed by the VPS to challenge the Workers Welfare Fund contribution have not been affected SHC judgment.

In view of the afore mentioned developments and uncertainties created by the recent decision by Honorable Sindh High Court, out of total provision of Rs. 0.832 million, Rs. 0.373 million and Rs. 0.256 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively, the Management Company as a matter of abundant precaution has charged a provision for WWF amounting to Rs. 0.136 million, Rs. 0.021 million and Rs. 0.012 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively for in these financial statements. The unrecognized liability amounts to Rs. 0.697 million, Rs. 0.352 million and Rs. 0.244 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. However, the auditors of the Fund because of pending adjudication of the Constitutional petition in Honorable Sindh High Court, included an emphasis of matter paragraph in auditor' report highlighting the said issue.

External Auditors

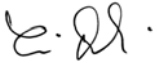
The fund's external auditors, M/s M. Yousuf Adil Saleem & Co., Chartered Accountants, have retired after the conclusion of audit for current year. Due to completion of maximum time allowed under Code Corporate Governance, they are not eligible for reappointment. The audit committee of the Board has recommended appointment of M/s Ernst & Young Ford Rhodes Sidat Hyder, Chartered Accountants (who have given consent to such appointment) as auditors for the year ending June 30, 2014.

REPORT OF THE DIRECTOR OF THE MANAGEMENT COMPANY FOR THE YEAR ENDED JUNE 30, 2013

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 MCB-Arif Habib Savings and Investments Limited (Formerly Arif Habib Investments Limited). The Board also likes to thank the Securities and Exchange Commission of Pakistan, State Bank of Pakistan and Habib Metropolitan Bank 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: August 05, 2013

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2013

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 41.8% as against KMI-30 index return of 54.4%. As of end-June 2013, about 77.45% exposure was in five sectors namely Oil & Gas, Construction & Materials, Chemicals, Commercial Banks and Electricity.

Sector-wise, the equity sub-fund increased its exposure in Oil & Gas from 14% at the beginning of the year to around 32.8% by end-June 2013 by increasing its holding in OGDC and PSO during the year amid strong earnings growth expectations. The exposure towards Banking sector was also increased during the year to 8.15% as of end-June 2013 from 2.7% at the beginning of the year while the exposure towards Pharma & Bio Tech and Industrial Engineering, however, was reduced from around 9.3% and 6% to around 1.37% and 0.03% respectively by end-June 2013 as the fund reduced its holdings in MTL and ABOT.

Money Market Sub-fund

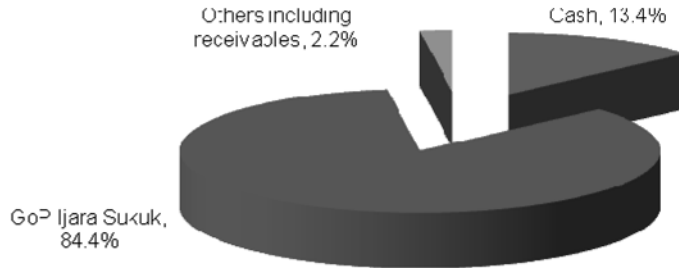
The money market sub-fund made an annualized return of 7.7% during the year. The sub-fund increased its exposure significantly in GoP Ijarah Sukuk (GIS) to around 84.4% by end-June 2013 as against 76.5% at the beginning of the year. The exposure towards cash and bank deposits declined from 18.6% at the beginning to 13.4% by year end. The net assets of the sub-fund increased to around Rs. 55.05 million by end-June 2013 as against Rs. 46.83 million at the beginning of the year.

Debt Sub-fund

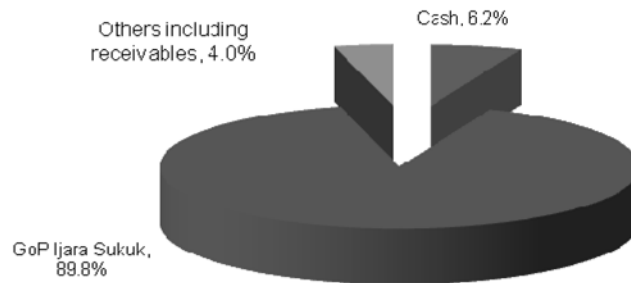
The debt sub-fund generated an annualized return of 6.8% during the year. The sub-fund was largely invested in GoP Ijarah Sukuk (GIS) due to its attractive risk-return profile and capital gains potential. The sub-fund maintained an exposure around 89.8% in GoP Ijarah Sukuk as of end-June 2013. The net assets of the sub-fund increased to Rs. 79.93 million as against Rs. 60.43 million at the beginning of the year.

REPORT OF THE FUND MANAGER FOR THE YEAR ENDED JUNE 30, 2013

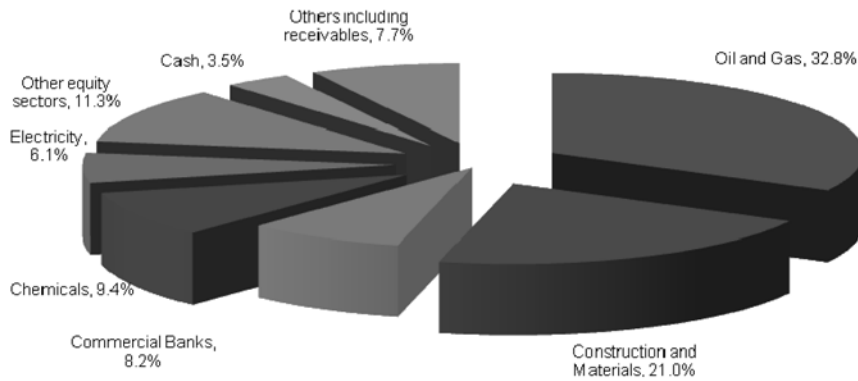
Asset Allocation (MM Sub-fund) as on June 30, 2013 (% of total assets)



Asset Allocation (Debt Sub-fund) as on June 30, 2013 (% of total assets)



Asset Allocation (Equity Sub-fund) as on June 30, 2013 (% of total assets)



Uzma Khan, CFA, FRM
Fund Manager

Karachi: September x, 2013

**TRUSTEE REPORT TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2013**



HABIBMETRO

TRUSTEE REPORT TO THE PARTICIPANTS

PAKISTAN ISLAMIC PENSION FUND

REPORT OF THE TRUSTEE PURSUANT TO RULE 31(H) OF VOLUNTARY PENSION SYSTEM RULES, 2005

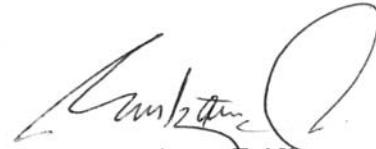
Pakistan Islamic Pension Fund was established under a Trust Deed dated September 5, 2007 executed between MCB-Arif Habib Savings & Investments Limited (formerly: Arif Habib Investments Limited), as the Pension Fund Manager and MCB Financial Services Limited (MCBFSL), as the Trustee.

As per amendatory trust deed of change of trustee dated June 16, 2011 MCBFSL retired as the Trustee and Habib Metropolitan Bank Limited was appointed as the Trustee of the Fund.

In our opinion, the Pension Fund Manager has in all material respects managed the Fund during the year ended 30 June 2013 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) 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 issue, redemption and cancellation of units are carried out in accordance with the trust deed and the VPS Rules, 2005; and
- (iv) any other matter required under the trust deed of the pension fund and VPS Rules, 2005

For the purpose of information, we draw attention to note 7.1 to the accompanying financial statements, which refers to uncertainty relating to the future outcome of the litigation regarding contribution to Workers' Welfare Fund, which is currently pending adjudication at the Honorable High Court of Sindh.


Azam Zaidi
Senior Executive Vice President

Karachi: August 21, 2013

Habib Metropolitan Bank Ltd.
(Subsidiary of Habib Bank AG Zurich)

Trustee Division: HBZ Plaza 8th Floor, I.I. Chundrigar Road, Karachi
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REPORT TO THE SHARIAH ADVISOR FOR THE YEAR ENDED JUNE 30, 2013

REPORT OF THE SHARIAH ADVISOR

I, the Shariah Advisor of the Fund, am please 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 MCB-Arif Habib Savings & Investments Limited (MCBAH) (formerly 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 MCBAH.

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 2013 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 105,457 was transferred to the charity account. The total amount of charity payable as at June 30, 2013 amounts to Rs. 168,433.

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: August 5, 2013


Dr Ejaz Samadani

Shariah Advisor

Deloitte.

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

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Fax: +92 (0) 21- 3454 1314
Web: www.deloitte.com

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

We have performed 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, 2013.

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, 2013.


Chartered Accountants

Karachi
Date: August 5, 2013

Member of
Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2013**

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants
Cavish Court, A-35, Block 7 & 8
KCHSU, Sharea Faisal,
Karachi-75350
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Web: www.deloitte.com

**AUDITORS' REPORT TO THE PARTICIPANTS OF
PAKISTAN ISLAMIC PENSION FUND**

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, 2013 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 estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Member of
Deloitte Touche Tohmatsu Limited

**INDEPENDENT AUDITORS' REPORTS TO THE UNIT HOLDERS
FOR THE YEAR ENDED JUNE 30, 2013**

Deloitte.

M. Yousuf Adil Saleem & Co
Chartered Accountants

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, 2013 and of the transaction of the Fund for the year ended June 30, 2013 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.

Emphasis of matter

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 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

Karachi
Date: August 05, 2013

Member of
Deloitte Touche Tohmatsu Limited

FINANCIAL STATEMENTS

BALANCE SHEET AS AT JUNE 30, 2013

Note	2013				2012	
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total		
Rupees						
ASSETS						
Balances with banks	4	2,984,045	4,964,583	7,405,174	15,353,802	15,035,972
Investments - (as per Statement of Investment by category)		76,372,301	72,179,836	46,670,430	195,222,567	137,631,020
Dividend receivable		115,972	-	-	115,972	422,818
Profit receivable		35,806	1,322,725	877,002	2,235,533	1,946,039
Deposits and other receivables	5	6,507,370	1,872,511	372,475	8,752,356	9,310,907
Total assets		86,015,494	80,339,655	55,325,081	221,680,230	164,346,756
LIABILITIES						
Payable to Pension Fund Manager		130,780	118,301	84,302	333,383	221,354
Payable to Habib Metropolitan Bank Limited - Trustee		13,307	12,034	8,576	33,917	24,990
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee		22,158	22,051	16,771	60,980	45,355
Accrued expenses and other liabilities	6	2,518,659	254,200	167,957	2,940,816	2,728,613
Total liabilities		2,684,904	406,586	277,606	3,369,096	3,020,312
NET ASSETS		<u>83,330,590</u>	<u>79,933,069</u>	<u>55,047,475</u>	<u>218,311,134</u>	<u>161,326,444</u>
Participants Sub-Funds (as per Statement of Movement in Participants' sub-funds)		<u>83,330,590</u>	<u>79,933,069</u>	<u>55,047,475</u>		
Contingencies and commitments	7					
Number of units						
NUMBER OF UNITS IN ISSUE		<u>432,282</u>	<u>508,651</u>	<u>376,354</u>		
Rupees						
NET ASSET VALUE PER UNIT		<u>192.77</u>	<u>157.15</u>	<u>146.27</u>		

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

INCOME STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	Note	2013			2012	
		PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund		Total
Rupees						
INCOME						
Capital gain on sale of investments		13,093,020	78,750	79,500	13,251,270	7,876,020
Dividend income		4,282,067	-	-	4,282,067	2,827,029
Income from Government Ijarah Sukuks		-	6,200,887	4,015,075	10,215,962	8,433,043
Income from Sukuk Certificates		-	189,078	-	189,078	60,516
Profit on bank and other deposits		95,323	288,954	896,618	1,280,895	1,219,243
Income from Term Deposit Receipts		-	-	-	-	808,241
Unrealised gain / (loss) on revaluation of investments classified as 'at fair value through profit or loss' - net		8,283,764	(82,489)	(142,070)	8,059,205	450,438
Reversal of impairment loss / (impairment loss) on listed equity securities classified as 'available for sale'	14	107,772	-	-	107,772	(371,355)
Total income		25,861,946	6,675,180	4,849,123	37,386,249	21,303,175
EXPENSES						
Remuneration of Pension Fund Manager	9	997,106	997,287	754,745	2,749,138	2,040,977
Sales tax and Federal Excise Duty on remuneration of Pension Fund Manager	10	171,038	169,993	128,185	469,216	326,556
Remuneration of Habib Metropolitan Bank Limited - Trustee	11	129,877	129,916	98,326	358,119	268,525
Annual fee - Securities and Exchange Commission of Pakistan (SECP)	12	22,159	22,051	16,772	60,982	45,355
Auditors' remuneration	13	178,827	165,058	131,041	474,926	439,138
Custody and settlement charges		23,475	45,234	-	68,709	27,355
Securities transaction cost		632,623	1,075	1,225	634,923	306,851
Legal and professional charges		25,328	25,265	19,262	69,855	69,999
Provision against debt securities	14.2	-	825,004	-	825,004	268,597
Bank charges		1,210	6,056	4,789	12,055	41,247
Donation and charity		105,457	-	-	105,457	11,613
Total expenses		2,287,100	2,386,939	1,154,345	5,828,384	3,846,213
Net income from operating activities		23,574,846	4,288,241	3,694,778	31,557,865	17,456,962
Element of income and capital gain included in prices of units issued less those in units redeemed		1,724,554	728,156	218,724	2,671,434	1,452,112
Provision for Workers' Welfare Fund	6.1	(135,571)	(21,362)	(12,458)	(169,391)	-
Net income for the year before taxation		25,163,829	4,995,035	3,901,044	34,059,908	18,909,074
Taxation	3.10	-	-	-	-	-
Net income for the year after taxation		25,163,829	4,995,035	3,901,044	34,059,908	18,909,074
Other comprehensive income / (loss) for the year						
Unrealised (loss) / gain on revaluation of investments classified as 'available for sale' - net	14	(550,367)	27,200	-	(523,167)	85,272
Total comprehensive income for the year		24,613,462	5,022,235	3,901,044	33,536,741	18,994,346
Earnings per unit	15	62.48	11.48	10.98		

The annexed notes from 1 to 21 form an integral part of these financial statements.

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)

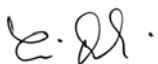

Chief Executive Officer


Director

CASH FLOW STATEMENT FOR THE YEAR ENDED JUNE 30, 2013

	2013			2012	
	PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub-Fund		Total
Rupees					
A. CASH FLOW FROM OPERATING ACTIVITIES					
Net income before taxation	25,163,829	4,995,035	3,901,044	34,059,908	18,909,074
Adjustments for non cash items:					
Capital gain on sale of investments	(13,093,020)	(78,750)	(79,500)	(13,251,270)	(7,876,020)
Unrealised (gain) / loss on revaluation of investments classified as 'at fair value through profit or loss' - net	(8,283,764)	82,489	142,070	(8,059,205)	(450,438)
(Reversal of impairment loss) / impairment loss on listed equity securities classified as 'available for sale'	(107,772)	-	-	(107,772)	371,355
Element of income and capital gain included in prices of units issued less those in units redeemed	(1,724,554)	(728,156)	(218,724)	(2,671,434)	(1,452,112)
	(23,209,110)	(724,417)	(156,154)	(24,089,681)	(9,407,215)
(Increase) / decrease in assets					
Investments - net	(8,174,271)	(17,805,996)	(10,716,200)	(36,696,467)	(29,721,000)
Dividend receivable	306,846	-	-	306,846	(219,858)
Profit receivable	(18,441)	(195,814)	(75,239)	(289,494)	520,563
Deposits and other receivables	(2,272,453)	1,673,314	1,157,690	558,551	(6,358,980)
	(10,158,319)	(16,328,496)	(9,633,749)	(36,120,564)	(35,779,275)
Increase / (decrease) in liabilities					
Payable to Pension Fund Manager	55,081	37,196	19,752	112,029	64,648
Payable to Habib Metropolitan Bank Limited - Trustee	4,762	2,877	1,288	8,927	4,318
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	7,365	5,269	2,991	15,625	5,981
Accrued expenses and other liabilities	184,170	28,859	(826)	212,203	2,158,066
	251,378	74,201	23,205	348,784	2,233,013
Net cash generated from operating activities	(7,952,222)	(11,983,677)	(5,865,654)	(25,801,553)	(24,044,403)
B. CASH FLOW FROM FINANCING ACTIVITIES					
Receipt of contribution	9,331,069	15,781,461	6,281,873	31,394,403	21,630,768
Payment against redemptions	(1,516,459)	(2,417,409)	(1,341,152)	(5,275,020)	(5,226,681)
Reallocation of units between sub-funds	(1,440,999)	1,848,004	(407,005)	-	-
Net cash used in financing activities	6,373,611	15,212,056	4,533,716	26,119,383	16,404,087
Net (decrease) / increase in cash and cash equivalent during the year	(A+B) (1,578,611)	3,228,379	(1,331,938)	317,830	(7,640,316)
Cash and cash equivalent at beginning of the year	4,562,656	1,736,204	8,737,112	15,035,972	24,519,836
Cash and cash equivalent at end of the year	2,984,045	4,964,583	7,405,174	15,353,802	16,879,520

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**STATEMENT OF MOVEMENT IN PARTICIPANTS' SUB- FUND
FOR THE YEAR ENDED JUNE 30, 2013**

	2013			Total	2012
	PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub- Fund		
	----- Rupees -----				
Net assets at beginning of the year	54,068,071	60,426,934	46,831,439	161,326,444	127,380,123
Amount received on issue of units	9,331,069	15,781,461	6,281,873	31,394,403	21,630,768
Amount paid on redemption of units	(1,516,459)	(2,417,409)	(1,341,152)	(5,275,020)	(5,226,681)
Amount (paid) / received on reallocation of units	(1,440,999)	1,848,004	(407,005)	-	-
	6,373,611	15,212,056	4,533,716	26,119,383	16,404,087
Element of income and capital gains included in prices of units issued less those in units redeemed					
-amount representing income and realised capital gains	(1,724,554)	(728,156)	(218,724)	(2,671,434)	(1,452,112)
-amount representing unrealised appreciation in fair value of investments	(1,182,464)	(4,634,749)	(1,130,444)	(6,947,657)	(3,309,752)
	(2,907,018)	(5,362,905)	(1,349,168)	(9,619,091)	(4,761,864)
Net unrealised gain / (loss) during the year in the market value of investments classified as available-for-sale	(550,367)	27,200	-	(523,167)	85,272
Element of income and capital gains included in prices of units issued less those in units redeemed - amount representing unrealised appreciation	1,182,464	4,634,749	1,130,444	6,947,657	3,309,752
Net income for the year after taxation	25,163,829	4,995,035	3,901,044	34,059,908	18,909,074
Net assets at end of the year	83,330,590	79,933,069	55,047,475	218,311,134	161,326,444

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**STATEMENT OF INVESTMENTS BY CATEGORY
FOR THE YEAR ENDED JUNE 30, 2013**

-----2013-----				2012
PIPF Equity Sub- Fund	PIPF Debt Sub- Fund	PIPF Money Market Sub- Fund	Total	
-----Rupees-----				

Investments 'at fair value through profit or loss'

- Listed equity securities	67,243,817	-	-	67,243,817	29,249,490
- Government Ijarah Sukuks	-	50,631,511	46,670,430	97,301,941	20,510,250
	67,243,817	50,631,511	46,670,430	164,545,758	49,759,740

'Available for sale investments'

- Listed equity securities	9,128,484	-	-	9,128,484	18,014,351
- Government Ijarah Sukuks	-	21,548,325	-	21,548,325	69,031,925
- Sukuk Certificates	-	-	-	-	825,004
	9,128,484	21,548,325	-	30,676,809	87,871,280

Investments at market value

76,372,301	72,179,836	46,670,430	195,222,567	137,631,020
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The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

STATEMENT OF INVESTMENT PORTFOLIO FOR THE YEAR ENDED JUNE 30, 2013

INVESTMENTS 'AT FAIR VALUE THROUGH PROFIT OR LOSS'
PIPF EQUITY SUB-FUND
LISTED EQUITY SECURITIES

Name of the Investee company	As at July 01, 2012	Purchases during the year	Bonus / Right issue during the year	Sales during the year	As at June 30, 2013	---Balance as at June 30, 2013---			Market value as a % of net assets of the sub fund	% of paid up capital of the investee company
						Cost	Market value	Appreciation / (Diminution)		
(-----Number of shares-----)						-----Rupees-----			%	%
OIL & GAS PRODUCERS										
Attock Petroleum Limited	-	11,000	-	11,000	-	-	-	-	-	-
Attock Refinery Limited	-	2,500	-	2,500	-	-	-	-	-	-
National Refinery Limited	-	5,000	-	5,000	-	-	-	-	-	-
Oil & Gas Development Company Limited	11,000	46,900	-	29,400	28,500	5,753,268	6,519,375	766,107	7.82	0.0007
Pakistan Oilfield Limited	8,870	8,300	-	1,500	15,670	6,667,498	7,793,788	1,126,290	9.35	0.0066
Pakistan Petroleum Limited	1,750	14,100	1,062	-	16,912	3,279,544	3,578,240	298,696	4.29	0.0010
Pakistan State Oil Company Limited	6,504	29,000	5,500	21,700	19,304	4,375,187	6,184,616	1,809,429	7.42	0.0094
Shell Pakistan Limited	-	5,000	-	-	5,000	699,809	715,850	16,041	0.86	0.0058
						20,775,306	24,791,869	4,016,563	29.75	
CHEMICALS										
Clariant Pakistan Limited	-	8,700	-	8,700	-	-	-	-	-	-
Fauji Fertilizer Bin Qasim Limited	-	336,500	-	238,000	98,500	3,914,505	3,697,690	(216,815)	4.44	0.0105
Fauji Fertilizer Company Limited	34,000	140,200	-	169,100	5,100	574,165	547,893	(26,272)	0.66	0.0004
I.C.I. Pakistan Limited	-	14,300	-	14,300	-	-	-	-	-	-
Sitara Chemical Industries Limited	-	19,000	-	-	19,000	3,946,349	3,797,910	(148,439)	4.56	0.0887
						8,435,019	8,043,493	(391,526)	9.65	
FORESTRY AND PAPER										
Century Paper & Board Mills Limited	-	500	-	500	-	-	-	-	-	-
Pakistan Paper Products Limited	25,417	-	5,083	16,500	14,000	565,607	614,460	48,853	0.74	0.2333
						565,607	614,460	48,853	0.74	
CONSTRUCTION AND MATERIALS										
Attock Cement Pakistan Limited	32,000	16,000	3,750	32,000	19,750	1,860,325	2,606,803	746,478	3.13	0.0198
Cherat Cement Company Limited	-	40,000	-	-	40,000	1,910,000	2,327,600	417,600	2.79	0.0418
D. G. Khan Cement Limited	-	8,000	-	8,000	-	-	-	-	-	-
Fecto Cement Limited	-	89,000	-	30,500	58,500	2,096,620	2,808,585	711,965	3.37	0.1166
Kohat Cement Limited	-	189,000	-	139,000	50,000	4,030,674	4,291,500	260,826	5.15	0.0388
Lucky Cement Limited	-	5,000	-	-	5,000	648,030	1,048,600	400,570	1.26	0.0015
						10,545,649	13,083,088	2,537,439	15.70	
GENERAL INDUSTRIALS										
Ghani Glass Limited	-	1,500	150	1,650	-	-	-	-	-	-
Packages Limited	-	7,000	-	7,000	-	-	-	-	-	-
Thal Limited	27,000	-	2,700	29,700	-	-	-	-	-	-
						-	-	-	-	-
INDUSTRIAL ENGINEERING										
Al-Ghazi Tractors Limited	-	7,100	-	7,100	-	-	-	-	-	-
Millat Tractors Limited	7,050	1,000	5	8,000	55	26,746	28,874	2,128	0.03	0.0002
						26,746	28,874	2,128	0.03	
AUTOMOBILE AND PARTS										
Pak Suzuki Motor Company Limited	-	18,000	-	-	18,000	2,018,200	2,676,960	658,760	3.21	0.0219
						2,018,200	2,676,960	658,760	3.21	0.0219
FOOD PRODUCERS										
Engro Foods Limited	-	22,000	-	10,000	12,000	1,271,775	1,689,240	417,465	2.03	0.0016
National Foods Limited	2,020	2,200	-	4,200	20	4,750	7,213	2,463	0.01	0.0000
Uni Lever Pakistan Limited	-	840	-	840	-	-	-	-	-	-
						1,276,525	1,696,453	419,928	2.04	-
PERSONAL GOODS										
Bata Pakistan Limited	-	300	-	-	300	383,000	536,700	153,700	0.64	0.0040
						383,000	536,700	153,700	0.64	0.0040
HEALTH CARE EQUIPMENT AND SERVICES										
Shifa International Hospitals Limited	-	42,000	-	-	42,000	1,891,245	1,848,000	(43,245)	2.22	0.2121
						1,891,245	1,848,000	(43,245)	2.22	0.2121
PHARMA AND BIO TECH										
Abbott Laboratories (Pakistan) Limited	21,500	-	-	21,500	-	-	-	-	-	-
Ferozsons Laboratories Limited	-	18,500	200	14,500	4,200	372,038	466,284	94,246	0.56	0.0139
Glaxo Smith Kline Pakistan Limited	33,000	2,221	-	35,221	-	-	-	-	-	-
						372,038	466,284	94,246	0.56	-
FIXED LINE TELECOMMUNICATION										
Pakistan Telecommunication Company Limited	-	246,000	-	193,000	53,000	1,155,625	1,176,070	20,445	1.41	0.0014
						1,155,625	1,176,070	20,445	1.41	0.0014
ELECTRICITY										
Hub Power Company Limited	90,780	41,300	-	46,596	85,484	4,214,125	5,270,089	1,055,964	6.32	0.0074
						4,214,125	5,270,089	1,055,964	6.32	0.0074
BANKS										
Bank Islami Pakistan Limited	-	859,000	-	370,000	489,000	3,801,039	3,183,390	(617,649)	3.82	0.0926
Meezan Bank Limited	-	119,500	13,145	642	132,003	3,499,928	3,828,087	328,159	4.59	0.0146
						7,300,967	7,011,477	(289,490)	8.41	-
Total						58,960,052	67,243,817	8,283,765	80.70	
						Total				
						2013			2012	
						-----Rupees-----				
Market value						67,243,817			29,249,490	

The annexed notes from 1 to 21 form an integral part of these financial statements.

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)


Chief Executive Officer


Director

**STATEMENT OF OTHER INVESTMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

**PIPF DEBT SUB-FUND
GOVERNMENT IJARAH SUKUK**

Name of Investments	Face value				Balance as at June 30, 2013			% of net assets
	As at July 01, 2012	Purchases during the year	Sales / Matured during the year	As at June 30, 2013	Cost	Market value	Diminution	

----- Rupees ----- %

'At fair value through profit or loss'

Government Ijarah Sukuk (3 years)	8,500,000	42,100,000	-	50,600,000	50,714,000	50,631,511	(82,489)	63.34
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'Available for sale' investments

Government Ijarah Sukuk (3 years)	45,000,000	-	23,500,000	21,500,000	21,735,325	21,548,325	(187,000)	26.96
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Total	
2013	2012
----- Rupees -----	

Market Value

72,179,836	53,525,375
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The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2013

PIPF DEBT SUB-FUND
SUKUK CERTIFICATES

Name of the Investee Company	Issue date	Number of certificates				Balance as at June 30, 2013			Market value as % 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 01, 2012	Purchases during the year	Sales during the year	As at June 30, 2013	Cost	Market value	Diminution			

'Available for sale' investments

Pak Electron Limited - SUKUK (28-09-2007)	28-Sep-07	550	-	-	550	1,011,220	-	(1,011,220)	-	-	0.10
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Total	
2013	2012
-	825,004

Market Value

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

STATEMENT OF OTHER INVESTMENTS FOR THE YEAR ENDED JUNE 30, 2013

**PIPF MONEY MARKET SUB-FUND
GOVERNMENT IJARAH SUKUK**

Name of Investments	Face value				Balance as at June 30, 2013			% of net assets
	As at July 01, 2012	Purchases during the year	Sales / Matured during the year	As at June 30, 2013	Cost	Market value	Diminution	
	(----- Rupees -----)							%

'At fair value through profit or loss'

Government Ijarah Sukuk (3 years)	12,000,000	34,600,000	-	46,600,000	46,812,500	46,670,430	(142,070)	84.78
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'Available for sale' investments

Government Ijarah Sukuk (3 years)	24,000,000	-	24,000,000	-	-	-	-	-
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	Total	
	2013	2012
	----- Rupees -----	
Market Value	46,670,430	36,016,800

The annexed notes from 1 to 21 form an integral part of these financial statements.



 Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
 (formerly: Arif Habib Investments Limited)
 (Management Company)



 Director

**CONTRIBUTION TABLE
FOR THE YEAR ENDED JUNE 30, 2013**

Contributions net of front end fee	2013						Total	2012
	PIPF Equity Sub-Fund		PIPF Debt Sub-Fund		PIPF Money Market Sub-Fund			
	Units	Rupees	Units	Rupees	Units	Rupees		
Opening balance	397,822	40,039,639	410,753	44,950,900	344,835	35,713,220	120,703,759	104,299,672
Individuals - issue of units	53,831	9,331,069	103,011	15,781,461	39,020	6,281,873	31,394,403	21,630,768
- redemption of units	(9,230)	(1,516,459)	(15,741)	(2,417,409)	(9,358)	(1,341,152)	(5,275,020)	(5,226,681)
- reallocation of units	(10,141)	(1,440,999)	10,628	1,848,004	1,857	(407,005)	-	-
	34,460	6,373,611	97,898	15,212,056	31,519	4,533,716	26,119,383	16,404,087
Closing balance	432,282	46,413,250	508,651	60,162,956	376,354	40,246,936	146,823,142	120,703,759

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

**STATEMENT OF NUMBER OF UNITS IN ISSUE
FOR THE YEAR ENDED JUNE 30, 2013**

	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
	----- Number of units -----		
Total Units outstanding at beginning of the year	397,822	410,753	344,835
Add: Units issued during the year	53,831	103,011	39,020
Less: Units redeemed during the year	(9,230)	(15,741)	(9,358)
(Less) / Add: Units reallocated during the year	(10,141)	10,628	1,857
Total units in issue at the end of the year	<u>432,282</u>	<u>508,651</u>	<u>376,354</u>

The annexed notes from 1 to 21 form an integral part of these financial statements.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

FINANCIAL PERFORMANCE TABLE FOR THE YEAR ENDED JUNE 30, 2013

	Equity Sub-Fund			Debt Sub-Fund			Money Market Sub-Fund		
	June 30, 2013	June 30, 2012	% Change	June 30, 2013	June 30, 2012	% Change	June 30, 2013	June 30, 2012	% Change
	-----Rupees-----			-----Rupees-----			-----Rupees-----		
Net income after taxation	25,163,829	9,826,386	156.08	4,995,035	5,234,432	(4.57)	3,901,044	3,848,256	1.37
Realised capital gains	13,093,020	7,771,770	68.47	78,750	56,250	40.00	79,500	48,000	65.63
Unrealised gains / (losses)	7,733,397	1,189,377	550.21	(55,289)	(444,142)	(87.55)	(142,070)	(209,525)	(32.19)
Reversal of impairment loss / (Impairment loss) on available for sale investments	107,772	(371,355)	(129.02)	-	-	-	-	-	-
Dividend income and profit income	4,377,390	2,919,046	49.96	6,678,919	5,914,722	12.92	4,911,693	4,514,304	8.80
Net assets value per unit	192.77	135.91	41.84	157.15	147.11	6.82	146.27	135.81	7.70
Earnings per unit	62.48	26.34	137.18	11.48	14.82	(22.55)	10.98	11.16	(1.56)
Transactions in securities									
Purchases	129,010,365	66,606,217	93.69	42,209,750	35,243,825	19.76	34,806,500	64,974,325	(46.43)
Sales	120,999,553	64,571,842	87.39	7,578,750	7,556,250	0.30	9,079,500	10,075,000	(9.88)
Total contribution received	9,331,069	6,867,632	35.87	15,781,461	10,335,012	52.70	6,281,873	4,428,124	41.86

Lowest and highest 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-----					
135.91	200.13	147.11	157.27	135.81	146.27

The annexed notes from 1 to 21 form an integral part of these financial statements.


 Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
 (formerly: Arif Habib Investments Limited)
 (Management Company)


 Director

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

1. LEGAL STATUS AND NATURE OF BUSINESS

1.1 Pakistan Islamic Pension Fund (the Fund) was established under a Trust Deed executed between MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 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). Habib Metropolitan Bank Limited was appointed as the 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.

1.2 Based on shareholders' resolutions of MCB-AMC and AHIL the two companies have merged as of June 27, 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). AHIL being a listed company is the surviving entity and in compliance of SBP's approval, it is a subsidiary of MCB Bank. Subsequent to the completion of merger on June 27, 2011 the SECP extended the effective date of merger to July 30, 2011 through letter no. SCD/PR & DD/AMCW/MCB-AMCL & AHI/348/2011 dated June 27, 2011 under section 484(2) of the Companies Ordinance 1984. However, recently on request of Management Company the SECP reviewed its aforementioned order and through a letter no. SCD/AMCW/Mis/540/2013 dated May 17, 2013 issued revised order under section 484(2) of the Companies Ordinance 1984 to affirm the effective date of merger of MCB-AMC with AHIL as June 27, 2011. The latest order also endorsed the steps/actions taken by Management Company from June 27, 2011 to date.

Pursuant of approval of Merger the name of the company have been changed from Airf Habib Investments Limited to MCB-Arif Habib Savings and Investments Limited.

1.3 MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) 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.

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

2. BASIS OF 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 Voluntary Pension System Rules, 2005 and International Accounting Standards (IAS)39: 'Financial Instruments: Recognition and Measurement'.

2.3 Standards, amendments or interpretations which became effective during the year

During the year certain amendments to Standards or new interpretations become effective. However, the amendments or interpretations did not have any material effect on the financial statements of the Fund.

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

A number of new Standards, amendments Standards and interpretations are effective for annual periods beginning on or after 1 July 2013. None of these are expected to have a significant effect on the financial statements of the fund except the following set out below.

- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) - (effective for annual periods beginning on or after 1 January 2014).
- Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) - (effective for annual periods beginning on or after 1 January 2013).
- IAS 39 Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective for annual periods beginning on or after 1 January 2014).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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, judgements and assumptions. 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 & 3.7).

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, unless otherwise stated.

3.1 Financial assets

3.1.1 Classification

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 Government Ijarah Sukuks

The investment of the Debt Sub-fund and Money market Sub-fund in Government Ijarah Sukuks are categorized as at fair value through profit or loss and available for sale and are valued on the basis of broker average rates announced by Reuters.

b) Basis of valuation of Equity Securities

The investment of the Equity Sub-Fund in equity securities is categorised as 'at fair value through profit or loss' and 'available for sale' and is valued on the basis of quoted market prices available at the stock exchange.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

c) **Basis of valuation of Debt Securities**

The investment of the Fund in debt securities is valued on the basis of rates determined by the Mutual Funds Association of Pakistan (MUFAP) in accordance with the methodology prescribed by SECP for valuation of debt securities vide its Circular No. 1 dated January 6, 2009 as amended by Circular No. 33 dated October 24, 2012. In the determination of the rates, MUFAP takes into account the holding pattern of these securities and categorizes them as traded, thinly traded and non-traded securities. The circular also specifies the valuation process to be followed for each category as well as the criteria for the provisioning of non-performing debt securities.

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 recognised as unrealised gain or loss in 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.

During the year, provision for non-performing debt securities and other exposures is made in accordance with the criteria specified in Circular No. 1 dated January 6, 2009 as amended by Circular No. 13 dated May 4, 2009 and Circular No. 33 dated October 24, 2012 and issued by SECP. The provisioning policy has been duly formulated and approved by the Board of Directors of the Management Company.

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.

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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

3.3 Derivatives

Derivative instruments are initially recognised at fair value and subsequent to initial measurement each derivative instrument is premeasured 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. It 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 equalization 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 unrealized gains / (losses) that form part of the Unit Holders' Funds in a separate reserve account and any amount remaining in this reserve account at the end of an accounting period (whether gain or loss) is included in the amount available for distribution to the unit holders. The remaining portion of the net element of income / (loss) and capital gains / (losses) relating to units issued and redeemed during an accounting period is recognized 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, 2013 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.

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. Despite the exemption available under the said clause, minimum tax at the rate of 1% of turnover was chargeable under section 113 of the Income Tax Ordinance, 2001. Through Finance Act, 2011, effective from July 01, 2011, pension funds are included in the list of entities on which the provisions of section 113 regarding minimum tax shall not apply.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

- Dividend income is recognised when the right to receive dividend is established.
- Profit on investment is recognised on an accrual basis.
- Profit on bank deposits 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

----- June 30, 2013 -----					June 30, 2012			
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	----- Rupees -----				
Current accounts	38,183	-	-	38,183	3,676,331			
Saving accounts	2,945,862	4,964,583	7,405,174	15,315,619	11,359,641			
	<u>2,984,045</u>	<u>4,964,583</u>	<u>7,405,174</u>	<u>15,353,802</u>	<u>15,035,972</u>			

Saving accounts carry a rate of return ranging from 6% to 11% (2012: 5.05% to 11.6%) per annum.

5. DEPOSITS AND OTHER RECEIVABLES

As at June 30, 2013					June 30, 2012			
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	----- Rupees -----				
Security deposits	2,701,000	200,000	100,000	3,001,000	3,001,000			
Receivable against sale of investments	3,799,999	-	-	3,799,999	-			
Receivable from sub-funds	-	1,671,511	271,475	1,942,986	1,171,730			
Other receivable	6,371	1,000	1,000	8,371	3,000			
Receivable against issue of units	-	-	-	-	5,135,177			
	<u>6,507,370</u>	<u>1,872,511</u>	<u>372,475</u>	<u>8,752,356</u>	<u>9,310,907</u>			

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

6. ACCRUED EXPENSES AND OTHER LIABILITIES

	As at June 30, 2013				June 30, 2012
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
----- Rupees -----					
Professional fee	35,656	38,096	31,484	105,236	99,992
Donation / charity	168,433	-	-	168,433	68,886
Payable to sub-funds	1,942,986	-	-	1,942,986	1,171,730
Payable to auditors	170,448	155,769	123,783	450,000	325,076
Workers' Welfare Fund 7.1	135,571	21,362	12,458	169,391	-
Payable against redemption of units	-	-	-	-	45,664
Payable against purchase of investments	-	-	-	-	868,700
Others	65,565	38,973	232	104,770	148,565
	<u>2,518,659</u>	<u>254,200</u>	<u>167,957</u>	<u>2,940,816</u>	<u>2,728,613</u>

7. CONTINGENCIES AND COMMITMENTS

7.1 Workers' Welfare Fund

The Finance Act 2008 introduced an amendment to the Workers' Welfare Fund Ordinance, 1971 (WWF Ordinance). As a result of this amendment it may be construed that all Collective Investment Schemes / mutual funds (CISs) whose income exceeds Rs 0.5 million in a tax year, have been brought within the scope of the WWF Ordinance, thus rendering them liable to pay contribution to WWF at the rate of two percent of their accounting or taxable income, whichever is higher. In this regard, a constitutional petition has been filed by certain CISs through their trustees in the Honourable High Court of Sindh (the Court), challenging the applicability of WWF to the CISs, which is pending adjudication.

On July 15, 2010, a clarification was issued by the Ministry of Labour and Manpower (the Ministry) which stated that mutual funds are not liable to contribute to WWF on the basis of nature of their income. However on December 14, 2010 the Ministry filed its response against the Constitutional petition requesting the court to dismiss the petition. According to the legal counsel who is handling the case, there is a contradiction between the aforementioned clarification issued by the Ministry and the response filed by the Ministry in Court.

During the year 2011, the Honourable Lahore High Court (LHC) in a constitutional petition relating to the amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, has declared the said amendments as unlawful and unconstitutional and struck them down. In March 2013 a larger bench of the Sindh High Court (SHC) in various constitutional petitions declared that amendments brought in the WWF Ordinance, 1971 through the Finance Act, 2006, and the Finance Act 2008, do not suffer from any constitutional or legal infirmity.

However, as per the legal counsel the stay granted to Collective Investment Schemes (CIS) remains intact and the constitution petitions filed by the CIS to challenge the Workers Welfare Fund contribution have not been affected by SHC judgment.

The Management Company as a matter of abundant precaution has started making provision effective from May 10, 2013 for WWF amounting to Rs. 0.136 million, Rs. 0.021 million and Rs. 0.012 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively in these financial statements out of total provision of Rs. 0.836 million, Rs. 0.374 million and Rs. 0.257 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively in view of the afore mentioned developments and uncertainties created by the recent decision by Honourable Sindh High Court. The unrecognised liability for the period from July 01, 2008 to May 09, 2013 amounts to Rs. 0.7 million, Rs. 0.353 million and Rs. 0.245 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively. (2012: unrecorded WWF liability was Rs. 0.330 million, Rs. 0.274 million and Rs. 0.179 million for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively). The net asset value per unit of the fund as at June 30, 2013 would have been lower by Rs. 1.62, Rs. 0.69 and Rs. 0.65 for Equity Sub Fund, Debt Sub Fund and Money Market Sub Fund respectively if the same were recognised.

7.2 There were no commitments outstanding as at June 30, 2013 (2012: Nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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.

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. SALES TAX AND FEDERAL EXCISE DUTY ON REMUNERATION OF PENSION FUND MANAGER

10.1 General Sales Tax is charged at the rate of 16% on the remuneration of the Pension Fund Manager through Sindh Sales Tax on Services Act 2011.

10.2 During the year, through Finance Bill 2013 effective from June 13, 2013, the Federal Government has levied Federal Excise Duty at the rate of 16% on the remuneration of the Pension Fund Manager .

11. REMUNERATION OF HABIB METROPOLITAN BANK LIMITED - 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.

12. 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.

13. AUDITORS' REMUNERATION

	As at June 30, 2013				June 30, 2012
	PIPF Equity Sub Fund	PIPF Debt Sub Fund	PIPF Money Market Sub Fund	Total	
	----- Rupees -----				
Audit fee	91,018	90,057	68,925	250,000	250,000
Half yearly review fee	51,523	38,729	34,748	125,000	90,000
Other certifications and services	27,137	27,220	20,643	75,000	75,000
Out of pocket expenses	9,149	9,052	6,725	24,926	24,138
	178,827	165,058	131,041	474,926	439,138

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

14. NET UNREALISED APPRECIATION / (DIMINUTION) IN MARKET VALUE OF INVESTMENTS CLASSIFIED AS 'AVAILABLE FOR SALE'

	As at June 30, 2013			Total	June 30, 2012
	PIPF Equity Sub Fund	PIPF Debt Sub Fund	PIPF Money Market Sub Fund		
----- Rupees -----					
Market value	9,128,484	21,548,325	-	30,676,809	87,871,280
Average cost	(4,061,298)	(22,746,545)	-	(26,807,843)	(82,901,440)
	5,067,186	(1,198,220)	-	3,868,966	4,969,840
Impairment loss					
Opening	107,772	-	-	107,772	4,941,738
Charged during the year 14.1	-	-	-	-	371,355
Reversal / Derecognised	(107,772)	-	-	(107,772)	(5,205,321)
	-	-	-	-	107,772
Surplus / (deficit) net of impairment loss	5,067,186	(1,198,220)	-	3,868,966	5,077,612
Provision against debt securities					
Opening	-	268,597	-	268,597	-
Charged during the year 14.2	-	825,004	-	825,004	268,597
	-	1,093,601	-	1,093,601	268,597
Less: Net unrealised (appreciation) in value of investment at the beginning of the year	(5,617,553)	131,819	-	(5,485,734)	(5,260,937)
	(550,367)	27,200	-	(523,167)	85,272

14.1 As at June 30, 2013, the management has carried out a scrip wise analysis of impairment in respect of equity securities classified as available for sale.

14.2 The Fund has recognised a provision amounting to Rs. 0.825 million (a provision of 100%) against the principal amount of Pak Electron Limited (PEL) TFCs outstanding as on June 30, 2013 in accordance with circular no. 33 of 2012 issued by Securities and Exchange Commission of Pakistan (SECP) on October 24, 2012.

15. EARNINGS PER UNIT

Earnings per unit (EPU) for the year ended June 30, 2013 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:

	For the year ended June 30, 2013		
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund
	Weighted average number of units	402,781	435,055
Net income after taxation	25,163,829	4,995,035	3,901,044
Earnings per unit	62.48	11.48	10.98

16. TRANSACTIONS WITH CONNECTED PERSONS

Connected persons include MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited) being the Pension Fund Manager and MCB Bank Limited being the holding company of MCB-Arif Habib Savings and Investments Limited (Formerly: Arif Habib Investments Limited), Habib Metropolitan Bank Limited being the Trustee, other collective investment schemes managed by the

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Pension Fund Manger as Management Company and directors and executives of the Pension Fund Manager.

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 2005 and the Trust Deed respectively.

16.1 Transactions during the year

For the year ended June 30, 2013				For the year ended June 30, 2012
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
Rupees				

MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Ltd) Pension Fund Manager

Remuneration	1,168,144	1,167,280	882,930	3,218,354	2,367,533
Sales load	-	-	-	-	140,631

Habib Metropolitan Bank Limited Trustee

Remuneration	129,877	129,916	98,326	358,119	268,525
Profit earned during the year	84,628	228,900	219,927	533,455	486,720
Investment in Term Deposit Receipt (TDR)	-	-	-	-	20,900,000
Profit earned on TDR	-	-	-	-	591,586
Bank charges	1,210	2,755	4,141	8,106	35,399

MCB Bank Limited

Profit earned during the year	-	-	385	385	77,434
Investment in TDR	-	-	-	-	7,900,000
Profit earned on TDR	-	-	-	-	216,655

Directors and Officers

Issue of PIPF Equity sub - fund 3,363 units (2012: 8,858 units)	577,816	-	-	577,816	1,047,887
Issue of PIPF Debt sub - fund 8,487 units (2012: 9,698 units)	-	1,310,768	-	1,310,768	1,405,586
Issue of PIPF Money Market sub - fund 5,160 units (2012: 4,630 units)	-	-	741,893	741,893	616,757
Redemption of PIPF Equity sub - fund 6,714 units (2012: 5,701 units)	1,100,348	-	-	1,100,348	776,685
Redemption of PIPF Debt sub - fund 6,627 units (2012: 2,858 units)	-	1,013,769	-	1,013,769	416,991
Redemption of PIPF Money Market sub - fund 4,744 units (2012: 721 units)	-	-	679,513	679,513	96,454

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2013**

16.2 Amounts outstanding as at year end

----- As at June 30, 2013 -----					
PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total		June 30, 2012
----- Rupees -----					

MCB-Arif Habib Savings and Investments Limited (formerly: Arif Habib Investments Ltd) - Pension Fund Manager

Remuneration payable	130,780	118,301	84,302	333,383	221,354
Sales load payable	-	-	-	-	112,573
Investment in seed capital 300,000 units (2012: 300,000 units)	57,830,715	47,144,153	43,879,546	148,854,414	125,649,047

Habib Metropolitan Bank Limited

Remuneration payable	13,307	12,034	8,576	33,917	24,990
Balances with banks	2,984,045	4,172,032	2,203,186	9,359,263	13,875,787
Profit receivable	35,806	55,111	44,175	135,092	93,272

MCB Bank Limited

Balances with banks	-	-	-	-	99,201
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Directors and Officers

Balance as at June 30, 2013

Investment In PIPF Equity sub - fund 11,677 units (2012 : 8,921 units)	2,250,964	-	-	2,250,964	1,212,516
Investment In PIPF Debt sub - fund 9,669 units (2012 : 10,622 units)	-	1,519,456	-	1,519,456	1,562,633
Investment In PIPF Money Market sub - fund 2,302 units (2012 : 4,931 units)	-	-	336,702	336,702	669,698

17. 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 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 mentioned risks.

The Fund's primary financial assets comprise of balances with banks, available for sale and held for trading investments, comprising of, equity securities of listed companies, Government of Pakistan Ijarah Sukuks and sukuk certificates . 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

17.1 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, 2005.

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

17.1.1 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.

17.1.2 Risk of return

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

Sensitivity analysis of variable rate instruments

- a) Government Ijarah Sukuks which are classified as 'at fair value through profit or loss' and '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, 2013, with all other variables held constant, the net income for the year and net assets would be higher / lower by Rs. 598,378 (2012: Rs. 127,082).
- b) Balances with bank in saving accounts exposing the Fund to cash flow risk of return. In case of 100 basis points increase / decrease in KIBOR on June 30, 2013, 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. 153,156 (2012: Rs. 113,596).

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, 2013 is not necessarily indicative of the impact on the Fund's net assets of future movements in interest rates.

Yield / return 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

Total	PIPF EQUITY SUB FUND				PIPF DEBT SUB FUND				PIPF MONEY MARKET SUB FUND			
	June 30, 2013				June 30, 2013				June 30, 2013			
	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk
Up to three months	More than three months and up to one year	More than one year	Up to three months		More than three months and up to one year	More than one year	Up to three months		More than three months and up to one year	More than one year		

(Rupees)

On-balance sheet financial instruments

Financial Assets

Balances with banks	15,353,802	2,945,862	-	-	38,183	4,964,583	-	-	-	7,405,174	-	-
Investments	195,222,567	-	-	-	76,372,301	41,083,875	31,095,961	-	-	36,670,980	9,999,450	-
Dividend receivable	115,972	-	-	-	115,972	-	-	-	-	-	-	-
Profit receivable	2,235,533	-	-	-	35,806	-	-	1,322,725	-	-	-	877,002
Deposits and other receivables	8,752,356	-	-	-	6,507,370	-	-	1,872,511	-	-	-	372,475
	<u>221,680,230</u>	<u>2,945,862</u>	<u>-</u>	<u>-</u>	<u>83,069,632</u>	<u>46,048,458</u>	<u>31,095,961</u>	<u>3,195,236</u>	<u>-</u>	<u>44,076,154</u>	<u>9,999,450</u>	<u>1,249,477</u>

Financial Liabilities

Payable to Pension Fund Manager	333,383	-	-	-	130,780	-	-	-	118,301	-	-	84,302
Payable to Habib Metropolitan Bank Limited - Trustee	33,917	-	-	-	13,307	-	-	-	12,034	-	-	8,576
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	60,980	-	-	-	22,158	-	-	-	22,051	-	-	16,771
Accrued expenses and other liabilities	2,940,816	-	-	-	2,518,659	-	-	254,200	-	-	-	167,957
	<u>3,369,096</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,684,904</u>	<u>-</u>	<u>-</u>	<u>406,586</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>277,606</u>

On-balance sheet gap

	<u>218,311,134</u>	<u>2,945,862</u>	<u>-</u>	<u>-</u>	<u>80,384,728</u>	<u>46,048,458</u>	<u>31,095,961</u>	<u>2,788,650</u>	<u>-</u>	<u>44,076,154</u>	<u>9,999,450</u>	<u>971,871</u>
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2013.

Total	PIPF EQUITY SUB FUND				PIPF DEBT SUB FUND				PIPF MONEY MARKET SUB FUND			
	June 30, 2012				June 30, 2012				June 30, 2012			
	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk	Exposed to Yield/Interest rate risk			Not exposed to Yield/Interest rate risk
Up to three months	More than three months and up to one year	More than one year	Up to three months		More than three months and up to one year	More than one year	Up to three months		More than three months and up to one year	More than one year		

(Rupees)

On-balance sheet financial instruments

Financial Assets

Balances with banks	15,035,972	886,325	-	-	3,676,331	1,736,204	-	-	-	8,737,112	-	-
Investments	137,631,020	-	-	-	47,263,841	16,004,800	38,345,579	-	-	15,004,500	21,012,300	-
Dividend receivable	422,818	-	-	-	422,818	-	-	-	-	-	-	-
Profit receivable	1,946,039	-	-	-	17,365	-	-	1,126,911	-	-	-	801,763
Deposits and other receivables	9,310,907	-	-	-	4,234,917	-	-	3,545,825	-	-	-	1,530,165
	<u>164,346,756</u>	<u>886,325</u>	<u>-</u>	<u>-</u>	<u>55,615,272</u>	<u>17,741,004</u>	<u>38,345,579</u>	<u>4,672,736</u>	<u>-</u>	<u>23,741,612</u>	<u>21,012,300</u>	<u>2,331,928</u>

Financial Liabilities

Payable to Pension Fund Manager	221,354	-	-	-	75,699	-	-	-	81,105	-	-	64,550
Payable to Habib Metropolitan Bank Limited - Trustee	24,990	-	-	-	8,545	-	-	-	9,157	-	-	7,288
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	45,355	-	-	-	14,793	-	-	-	16,782	-	-	13,780
Accrued expenses and other liabilities	2,728,613	-	-	-	2,334,489	-	-	225,341	-	-	-	168,783
	<u>3,020,312</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,433,526</u>	<u>-</u>	<u>-</u>	<u>332,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>254,401</u>

On-balance sheet gap

	<u>161,326,444</u>	<u>886,325</u>	<u>-</u>	<u>-</u>	<u>53,181,746</u>	<u>17,741,004</u>	<u>38,345,579</u>	<u>4,340,351</u>	<u>-</u>	<u>23,741,612</u>	<u>21,012,300</u>	<u>2,077,527</u>
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There is no off-balance sheet financial instrument that exist as at year ended June 30, 2012.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

17.1.3 Price risk

Price risk is a risk that the value of financial instrument may fluctuate as a result of changes in market prices. 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 35% of the net assets of the Sub-Fund.

In case of 5% increase in KSE 100 index on June 30, 2013, other components of equity would increase by Rs. 3.779 million (2012: Rs. 2.108 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, 2013, other components of equity would decrease by Rs. 3.779 million (2012: Rs. 2.108 million) as a result of gains / losses on equity securities classified as available for sale and at fair value through profit and loss.

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, 2013 is not necessarily indicative of the effect on the Sub-Fund's net assets of future movements in the level of KSE 100 index.

17.2 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, 2013 and June 30, 2012 is the carrying amounts of following financial assets.

	As at June 30, 2013				As at June 30, 2012
	PIPF Equity Sub-Fund	PIPF Debt Sub-Fund	PIPF Money Market Sub-Fund	Total	
	Rupees				
Balances with banks	2,984,045	4,964,583	7,405,174	15,353,802	15,035,972
Investments	76,372,301	72,179,836	46,670,430	195,222,567	137,631,020
Dividend receivable	115,972	-	-	115,972	422,818
Profit receivable	35,806	1,322,725	877,002	2,235,533	1,946,039
Deposits and other receivables	6,507,370	1,872,511	372,475	8,752,356	9,310,907
	86,015,494	80,339,655	55,325,081	221,680,230	164,346,756

The analysis below summarises the credit rating quality of the Fund's financial assets as at June 30, 2013 and June 30, 2012:

Bank Balances by rating category	Rating agency	Rating	2013	2012
		Long-term / Short-term	Rupees	
Habib Metropolitan Bank Limited	PACRA	AA+ / A1+	9,359,263	13,875,787
Bank Alfalah Limited	PACRA	AA / A1+	5,994,539	923,312
United Bank Limited	JCR / VIS	AA+ / A1+	-	137,672
MCB Bank Limited	PACRA	AAA / A1+	-	99,201
			2013	
Pakistan Electron Limited	PACRA			Non Traded
			2012	
Pakistan Electron Limited	PACRA			Non Traded

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

The maximum exposure to credit risk before any credit enhancement as at June 30, 2013 is the carrying amount of the financial assets.

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.

17.3 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.

Total	PIPF EQUITY SUB-FUND			PIPF DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	June 30, 2013			June 30, 2013			June 30, 2013		
	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	333,383	130,780	-	-	118,301	-	-	84,302	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	33,917	13,307	-	-	12,034	-	-	8,576	-	-
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	60,980	22,158	-	-	22,051	-	-	16,771	-	-
Accrued expenses and other liabilities	2,940,816	2,518,659	-	-	254,200	-	-	167,957	-	-
	<u>3,369,096</u>	<u>2,684,904</u>	<u>-</u>	<u>-</u>	<u>406,586</u>	<u>-</u>	<u>-</u>	<u>277,606</u>	<u>-</u>	<u>-</u>

Total	PIPF EQUITY SUB-FUND			PIPF DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	June 30, 2012			June 30, 2012			June 30, 2012		
	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	221,354	75,699	-	-	81,105	-	-	64,550	-	-
Payable to Habib Metropolitan Bank Limited - Trustee	24,990	8,545	-	-	9,157	-	-	7,288	-	-
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	45,355	14,793	-	-	16,782	-	-	13,780	-	-
Accrued expenses and other liabilities	2,728,613	2,334,489	-	-	225,341	-	-	168,783	-	-
	<u>3,020,312</u>	<u>2,433,526</u>	<u>-</u>	<u>-</u>	<u>332,385</u>	<u>-</u>	<u>-</u>	<u>254,401</u>	<u>-</u>	<u>-</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

17.4 Financial instruments by category

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND			
	June 30, 2013				June 30, 2013				June 30, 2013			
	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total

(Rupees)

Assets

Balances with banks	15,353,802	2,984,045	-	-	2,984,045	4,964,583	-	-	4,964,583	7,405,174	-	-	7,405,174
Investments	195,222,567	-	67,243,817	9,128,484	76,372,301	-	50,631,511	21,548,325	72,179,836	-	46,670,430	-	46,670,430
Dividend receivable	115,972	115,972	-	-	115,972	-	-	-	-	-	-	-	-
Profit receivable	2,235,533	35,806	-	-	35,806	1,322,725	-	-	1,322,725	877,002	-	-	877,002
Deposits and other receivables	8,752,356	6,507,370	-	-	6,507,370	1,872,511	-	-	1,872,511	372,475	-	-	372,475
Total	221,680,230	9,643,193	67,243,817	9,128,484	86,015,494	8,159,819	50,631,511	21,548,325	80,339,655	8,654,651	46,670,430	-	55,325,081

Total	PIPF EQUITY SUB-FUND			PIPF DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	June 30, 2013			June 30, 2013			June 30, 2013		
	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	333,383	-	130,780	130,780	-	118,301	118,301	-	-	84,302	84,302
Payable to Habib Metropolitan Bank Limited - Trustee	33,917	-	13,307	13,307	-	12,034	12,034	-	-	8,576	8,576
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	60,980	-	22,158	22,158	-	22,051	22,051	-	-	16,771	16,771
Accrued expenses and other liabilities	2,940,816	-	2,518,659	2,518,659	-	254,200	254,200	-	-	167,957	167,957
Total	3,369,096	-	2,684,904	2,684,904	-	406,586	406,586	-	-	277,606	277,606

Total	PIPF EQUITY SUB-FUND				PIPF DEBT SUB-FUND				PIPF MONEY MARKET SUB-FUND			
	June 30, 2012				June 30, 2012				June 30, 2012			
	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total	Loans and receivables	At fair value through profit or loss	Available for sale	Sub total

(Rupees)

Assets

Balances with banks	15,035,972	4,562,656	-	-	4,562,656	1,736,204	-	-	1,736,204	8,737,112	-	-	8,737,112
Investments	137,631,020	-	29,249,490	18,014,351	47,263,841	-	8,504,250	45,846,129	54,350,379	-	12,006,000	24,010,800	36,016,800
Dividend receivable	422,818	422,818	-	-	422,818	-	-	-	-	-	-	-	-
Profit receivable	1,946,039	17,365	-	-	17,365	1,126,911	-	-	1,126,911	801,763	-	-	801,763
Deposits and other receivables	9,310,907	4,234,917	-	-	4,234,917	3,545,825	-	-	3,545,825	1,530,165	-	-	1,530,165
Total	164,346,756	9,237,756	29,249,490	18,014,351	56,501,597	6,408,940	8,504,250	45,846,129	60,759,319	11,069,040	12,006,000	24,010,800	47,085,840

Total	PIPF EQUITY SUB-FUND			PIPF DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	June 30, 2012			June 30, 2012			June 30, 2012		
	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	221,354	-	75,699	75,699	-	81,105	81,105	-	-	64,550	64,550
Payable to Habib Metropolitan Bank Limited - Trustee	24,990	-	8,545	8,545	-	9,157	9,157	-	-	7,288	7,288
Fee payable to the Securities and Exchange Commission of Pakistan - Annual fee	45,355	-	14,793	14,793	-	16,782	16,782	-	-	13,780	13,780
Accrued expenses and other liabilities	2,728,613	-	2,334,489	2,334,489	-	225,341	225,341	-	-	168,783	168,783
Total	3,020,312	-	2,433,526	2,433,526	-	332,385	332,385	-	-	254,401	254,401

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

17.5 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.

17.5.1 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 DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	-----June 30, 2013 -----			-----June 30, 2013 -----			-----June 30, 2013 -----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
----- Rupees -----									

ASSETS

Investment in securities -

At fair value through

Profit or loss	164,545,758	67,243,817	-	-	50,631,511	-	-	46,670,430	-	-
Available for sale	30,676,809	9,128,484	-	-	21,548,325	-	-	-	-	-

Total	PIPF EQUITY SUB-FUND			PIPF DEBT SUB-FUND			PIPF MONEY MARKET SUB-FUND		
	-----June 30, 2012 -----			-----June 30, 2012 -----			-----June 30, 2012 -----		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
----- Rupees -----									

ASSETS

Investment in securities -

At fair value through

Profit or loss	49,759,740	29,249,490	-	-	8,504,250	-	-	12,006,000	-	-
Available for sale	87,871,280	18,014,351	-	-	45,846,129	-	-	24,010,800	-	-

18. 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 18, 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.

19. 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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

and is responsible for the Fund's entire portfolio and considers the business to have three operating segments i.e. PIPF Equity Sub-Fund, PIPF Debt Sub-Fund and PIPF 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.

20. DATE OF AUTHORISATION FOR ISSUE

These financial statements were authorised for issue by the Board of Directors of the Pension Fund Manager on 05 August 2013.

21. GENERAL

Figures have been rounded off to the nearest Rupee.



Chief Executive Officer

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)
(Management Company)



Director

Please find us on



by typing: **Bachat Ka Doosra Naam**

MCB-Arif Habib Savings and Investments Limited
(formerly: Arif Habib Investments Limited)

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